

A Property of





Mergers help to dull the pain



TOMORROW'S Weekend FT

> The last picture show

NOISINIE ڭۈتنالۈرچ

## FINANCIAL TIMES

FRIDAY SEPTEMBER 2 1994

#### Toyota signals plan to build vehicles in China

Europe's Business Newspaper

Toyota yesterday announced it would set up a Toyota yesternay announced it would set up a support centre in China for component suppliers - the strongest hint yet that Japan's biggest carmaker is interested in making vehicles in China. Toyota president Tatsuro Toyoda will discuss the plan for the centre with government officials and local vehicle makers during his current visit to China. China. Page 16

Bid speculation over NBC television network continued in New York. A top NBC executive stopped short of denying reports that General Electric, NBC's parent, was considering a sale to Time Warner. Page 19

US-Cuba talks 'serious': The US and Cuba held 'serious, professional and businesslike' talks about how to halt the uncontrolled exodus of Cuban boat people, the US state department said. Page 3

Israel widens links: Israel and Morocco announced they would establish diplomatic links by opening liaison offices in each other's countries. Morocco also announced it would open a lisison bureau in the Palestinian self-rule enclave of Gaza.

Gadaffi's salute marks 25 years in power
Libyan leader Muammar



Gadaffi (left) waved to the Tripoli crowds as tanks rolled passed to mark 25 year since he overthrew King Mohammed Idris in a coup and seized power. The show of military might comes at a time when Libya is subject to

UN sanctions imposed for its refusal to hand over two men suspected of involvement in the 1988 bombing of an airliner over Lockerbie, Scotland.

Russia lays down advertising law: Russia's government approved a draft law designed to curb saturation TV advertising like that used by failed financial company MMM, which swamped Russian screens with up to-five commercials an hour. Page 2

Scott report delayed: Lord Justice Richard Scott's final report into Britain's "arms-for-Iraq" inquiry will not be issued until next year and the judge is to question more witnesses from the intelligence services, his office said. Two die in UK fighter crash: The two crew of

a Royal Air Force Tornado fighter died when their aircraft crashed near inveraray in central Scotland. Their bodies were found in wreckage.

London stockbroking firm acquired two years ago by Dutch bank ABN-Amro, is to take the name ABN-Amro Hoare Govett. Page 17

BASF. German chemicals group, is trying to boost its Knoll pharmaceuticals division by diversifying into non-patented generic drugs in the German market via a new distribution and marketing company, BASF Generics. Page 17

Elf Interims down: French oil group Elf Aquitaine hlamed lower crude prices for a 10 per cent drop to FFr1.2bn (\$222m) in its first-half net profits. Page 17; Evolutionary, not revolutionary, approach at Elf. Page 20

Asbectos claims hit T&N: The former Turner & Newall - once Britain's biggest asbestos supplier -had to make record compensation personal injury payments of £22.1m (\$34.25m) in the first half. But pre-tax profits at the engineering and motor components group rose from £39.4m to £61m, Page 23

Reckitt & Colman shares fell 25p to 627p when the household products and tolletries group reported interim taxable profits weaker than expected at £123.3m (\$191m) Page 17; Lex, Page 16

Deportee's death probed: An investigation was launched in Germany into the death of a Niger-ian who died at Frankfurt airport. The man had been tied up and sedated by German officials who were trying to deport him.

Quake rocks California: At least one strong earthquake rocked an area centred off the north coast of California. The quake, measuring 6.9 on the Richter scale, caused no damage but was felt as far south as Fresno in central California.

British team not withdrawn: The British Athletic Federation said it would not withdraw its women's team from next week's world cup because such a move would prejudge runner Diane Modahl's hearing after her positive drugs test. The Interna-tional Amateur Athletic Federation could overturn the BAF decision.

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## Brussels may delay EU media ownership rules

By Lionel Barber in Brussels

The Enropean Commission is considering delaying proposals to har-monise rules on media ownership in the EU, amid concern about a backlash among member states worried about intrusive Brussels regulation.

A decision to delay would be a setback for Mr Vanni d'Archirafi, the Italian internal market commissioner, who would like to introduce a new EU directive at the end of this year or early 1995. But majority sentiment among his Com-mission colleagues seems in favour of a 'softly softly" approach.

Under a compromise solution that

emerged in late July at a meeting of chiefs of staff of the 17 commissioners, the Commission will he asked this month to consider supporting an "initia-tive" on media ownership.

"We think we need to do something, but we don't want to prejudge the ques-tion of legislation," said one official. This is a very important, very touchy subject."
Mr d'Archirafi argues that investment

in Europe's single market is being held back hy the patchwork of media ownership rules. He believes that an "initia-tive" - however it is dressed up - must ead to an EU directive if it is to be

The Italian commissioner has also argued, with some success, that the EU must position itself quickly to exploit advances in broadcasting technology which are paving the way for pay television, video on demand, and the prolifera-tion of specialised TV channels. Ger-many's Martin Bangemann, the industry

commissioner supports this view But Sir Leon Brittan, chief EU trade negotiator, has raised questions about the need for EU-wide legislation, fearing it could infringe the principle of subsid-iarity – devolving decision-making to the lowest appropriate national or

Mr Karel Ven Miert, the Belgian com-

By David Owen in London, Tim Coone in Dublin and George

The prospect of face-to-face

meetings by the end of the year

between Sinn Fein and the Brit-

ish government moved closer

yesterday, as Northern Ireland

passed the first day of the IRA

ceasefire with a mixture of

wariness and jubilation.

As the debate continued over

whether the IRA had declared a

permanent end to its armed cam-

paign, Downing Street acknowledged that amplifications during

the day hy repoblican leaders

showed they were "moving in

But it emphasised that the

three-month countdown to talks

with the IRA's political wing

would not hegin until the organi-

sation's intentions were "utterly

Suspicions of a secret deal

between London and the IRA

were again aroused by the trans-

fer of four Republican prisoners from the mainland to jails in

Downing Street said that the

transfer - involving two of the men sentenced for involvement

in the Brighton bombing in 1984

- had "absolutely no connection"

Graham in Washington

petition policy commissioner, is worried that an EU directive lifting restrictions on media ownership could threaten the independence of Belgian media - a delicate balance between Flemish and Franco-phone interests traditionally wary of French predators across the

The problems created by differences in EU media ownership surfaced during a consultetion exercise which the Commission conducted last year among 70 companies and industry organisations.

Many came out in favour of Brusselsled reform, with some expressing con-cern that outdated rules on cross-media ownership could deny them the opportu-

with Sinn Féin

than a month ago.

Debate over IRA intentions continues

face-to-face talks

UK edges closer to

with the peace process and was a

routine operation arranged more

attacked by Lord Tebbit, the for-

mer Conservative cabinet minis-

ter, who was badly injured in the

blast. He said it was either "an

early reward for the IRA or crass

political incompetence". Mr John Major, the prime min-ister, was said to be "livid" that

transfer was authorised by

Prison Service officials without

In Dublin, Mr Albert Reynolds,

the Irish prime minister, who does not share Downing Street's

caution, used a state-of-the-

nation speech to urge all parties to show imagination and flexibil-

ish the potential of the ceasefire

"by trying to interpret it as any-thing other than what it is".

Mr Dick Spring, the Irish for-

eign minister, who plans to meet

President Bill Clinton in Massa-

chusetts today, said he hoped any differences of interpretation

between London and Dublin

would be resolved "in a matter of

In Washington, little tangible

progress was evident in putting

flesh on the US promise of sup-

port to the peace process.

reference to ministers.

But the move was at ooce

ship of satellite channels. Brusseis officials said yesterday the

nity to exploit future electronic media

For example, in the Netherlands

newspaper publishers with a market

share of more than 25 per cent cannot own a television channel, but in Italy the threshold is 16 per cent. In the UK, a

blanket ban exists on newspapers owning more than 20 per cent of terrestrial channels, but there is no limit on owner-

Commission faces a tricky balancing act as it ponders how to proceed. On the one of the single market, but on the

Continued on Page 16

In the past President Bill Clin-

ton has expressed interest in a

visit to Ireland. But no plans are

responded to London's demands

for the IRA to declare openly a

permanent eod to its armed cam-

paign, Mr Martin McGuinness, a

member of Sinn Fein's governing

executive, said the organisation

was committed to "a complete

cessation of military operations

But he said misgivings about

the IRA's omission of the word

"permanent" were "rather silly" and amounted to "a bit of a

storm in a teacup". He expressed confidence that the matter would

Féin will be involved in discus-

sions with the Dublin govern-

ment and the British government

His comments followed the

publication of an article hy Mr

Gerry Adams in the Irish Times

in which Mr Adams said: "Albert

Reynolds, Dick Spring, John Hume and others have responded

positively and correctly to the

Business hopes for 30,000 jobs,

Page 9

"As far as I am concerned, Sinn

under all circumstances".

be resolved "within days".

in a short period of time."

IRA announcement."

leaders

presently being made.

As republican



lbye to Berlin: General Matvei Burlakov carries away a Russian flag yesterday as he is about to leave the military airport at Sperenburg, 160 miles south of the city. Gen Burlakov was the commander of the western group of the Russian army based in former East Germany. Yesterday was the day on which the last Russian troops left Germany

#### **US** and N Korea to meet in **Pyongyang**

By John Burton in Seoul

US and North Korean officials will meet in Pyongyang next week to discuss the opening of liaison offices in the two countries. Such a move would be a significant step towards estab-

will meet in Berlin to discuss a US offer of light-water reactors, the supply of interim energy sources to North Korea while these reactors are being constructed, and the disposal of North Korea's spent fuel rods, which are capable of producing enough plutonium for five

nuclear bombs.

The meetings, which will begin on September 10, are the result of last month's US-North Korean framework agreement. Under the accord, Pyongyang promised to accept full international nuclear improved ties with Washington and the supply of safe reactors to replace its dangerous graphite

The talks confirm North Korea's willingness to abide by the agreement, while they also offer evidence that the succession of power in Pyongyang by Mr Kim Jong-il is proceeding smoothly after the death of his father, President Kim Il-sung, in

Officials in Seoul said it was unlikely that the US negotiators would have been allowed to go to Pyongyang if a serious power struggle was under way in North Korea, as has been rumoured in

Continued on Page 16

## **Rowland survives** battle over Lonrho joint chief post

By Roland Rudd and Robert Peston in London

could turn into a "damaging con-

Mr Rowland should continue in his post, the board issued a statement saying that speculation regarding his role in the company "was totally unfounded".

that the remuneration committee, set up by Mr Bock and chaired by Mr Peter Harper, would review expense levels at head office. The statement also said the review of all directors' contracts, remuneration and expenses was part of an "ongoing process of change within the

Mr Rowland knew he had won an important victory before the start of the meeting when he told waiting journalists: "i am too young to retire."

ting a brave face on events, mak-ing clear that the public disclosure of Mr Rowland's expenses bad made it harder for him to remain in his post in the medium

Some directors also remain concerned that the company sold a recently completed film about the Lockerbie bombing to an Egyptian company linked to Libya, in possible contravention

of United Nations sanctions. But one Lonrho employee ques-tioned Mr Bock's timing in trying to remove his joint chief execu-

Mr Rowland's two most promi nent allies on the board retire in the autumn: Mr René Leclezio, the chairman, goes at the end of October and Mr Robert Duniop retires at the end of the month. Mr Bock might have been in a stronger position had he waited

timing was dictated by the Lockerbie film disclosure. With the disagreement betwe the two chief executives out in the open, some analysts warned that a question mark over the group's strategy would remain until it became clear who had

But he is said to believe that his

won the power battle. Mr Bock may now have to wait until the end of next year, when he can exercise a call option on Mr Rowland's remaining 6.5 per

He has made no secret of his desire to remove Mr Rowland. who he believes has been frustra ting his attempts to reorganise Lonrho's assets.

> Editorial Comment, Page 15 A 'civilised option'. Page 18





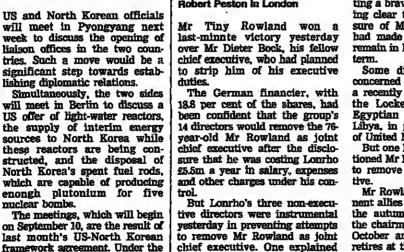
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that they feared such an attempt

frontation". Instead of questioning whether

However, it also made clear

CONTENTS Foreign Exchange Gold Markets ....

Intl. Cap Mids. Int. Band Service .

LONDON · PARIS · FRANKFURT · NEW YORK · TOKYO

By Laura Silber in Belgrade and Bruce Clark in London

US threats to lift the arms embargo against Bosnia's Mos-lem led government have pro-duced an unexpected reaction: the most militant Serbs say they would welcome the move, while some prominent Moslems view the prospect with

This paradoxical response reflects the hardline Serbs' confidence that they could make further gains in the event of an all-out war, and Moslem fears that their side, albeit growing in strength, is not ready for an escalating

President Bill Clinton has told Congress, where the ban on arms sales to Bosnia is unpopular, that he will formally propose lifting the embargo unless the Bosnian Serbs accept the current peace plan by October 15.

Militant Bosnian Serbs, who have resisted pressure from their kinsmen in Belgrade to accept the plan, are confident the US move would force all Serbs to hury their internal divisions and prosecute the war with renewed intensity.

President Alija Izetbegovic, Bosnia's Moslem leader, acknowledged this week that his side had not yet matched its enemies' firepower.

His remarks reflect growing concern in Sarajevo that, if the emhargo is lifted, Bosnian Serh forces would quickly move to crush the government army before it could get heavy weapons and learn to use them

The fighting ability of the Bosnian army bas improved since the creation of a Moslem-Croat federation six months ago, but troops are still organised on a local basis and are ill-prepared to fight beyond

their village or town. UN officers say that if the embargo is lifted, it could take at least a year for the Bosnian army to make proper use of what equipment it received. Mr Radovan Karadzic, the Bosnian Serb leader, claimed last week his adversaries lacked professional officers capable of

handling heavy weapons. General Ratko Mladic. nian Serb commander, bas shown little concern about the arms embargo."Let them lift it," he had told the independent daily Borba. Another Bosnian Serb officer said: "If they lift the embargo, the UN would leave and we could fight a real war. We would finish them off

One of the first casualties, in the event of an all-out war and withdrawal by the UN ground forces, could be the UN-designated "safe areas" for Moslems in eastern Bosnia.

But some prominent figures on the Bosnian Moslem side unequivocally favour a lifting of tha arms embargo. They incinde Mr Haris Silajdzic, prime minster of the MoslemItaly, Britain and Spain would be excluded from centre of Community

## CDU proposes an EU top five

Michael Lindemann in Bonn

Italy, a founder member state of the European Union, as well as Britain and Spain, would be excluded from the five-nation "hard core" of a future flexible community, according to a top policy document published yesterday by Germany's Christian Democrats (CDU), the leaders of the country's coalition

Their vision of an EU of "variable geometry" would be centred on only five of the original founding mem-bers - France and Germany, as well as Belgium, Luxembourg and the Netherlands.

However, the reformers say their plan "does not imply abandoning hopes that Great Britain will assume its role in the heart of Europe'," as Mr John Major, the British prime minister, said in Bonn three years ago. Rather, they hope that by forcing the pace of European integration, Britain will in turn be forced to "clarify its relationship" with the rest of the EU.

The five-nation future core would be expected to co-ordinate ever more closely not only on monetary policy, in keeping with the plans for economic and monetary union, but also

Mr Oleg Soskovets, Russia's

first deputy prime minister,

has warned that the country's

escalating late payments crisis

could spark social unrest with

severe political repercussions, According to Russian press reports, Mr Soskovats told a

meeting of economic ministers,

bankers and industrialists on

Wednesday that the failure of

many energy companies to pay their workers for months could prompt mass action by coal

miners and oil and gas work-

ers. An Economics Ministry

ments of wages in industry and

agriculture had risen from

Rbs800bn at the beginning of

the year to Rbs4,000hn by

August 1, with the energy sec-

The Russian government is

grappling with ways of resolv-ing the internal debts crisis

but appears torn between

whether to stick to a strict

monetary path or try indirectly to inflate its way out of its difficulties by issuing fresh

credits. Many Russian compa-

nies claim that the accumula-

tion of inter-enterprise deht

- now estimated at \$45bn

(£29bn) - has created a cash

flow crisis making it impossi-

hle for them to pay their work-ers. They are demanding cash

tor being badly hit.

Late payments raise unrest fear

**Moscow warns** 

on wages crisis

The European Union should produce a white paper on defence to define "precisely" its security interests and how to defend them in conjunction with Nato. the French prime minister, Mr Edonard Balladur, proposed yesterday, writes David Buchan in Paris. Expanding on the vision of a multi-speed Europe that he unveiled earlier this week, the prime minister made clear at a meeting with French ambassadors that such a defence white paper should be prepared by EU governments in contrast to the accordance with a paper distributed last year by Mr. Jeograes Belows. economic white paper drafted last year by Mr Jacques Dekors' European Commission.

Mr Balladur's proposal seems to stem from disappointment that the defence white paper which his government produced earlier this year, and which committed France to maintaining military spending in the 1995-2000 period, has not evoked any matching commitments or ambitions from France's EU partners.

At the same meeting, Mr Alain Juppé, the foreign minister, called yesterday for big changes in EU institutions at the planned 1996 revision of the Maastricht treaty. "For France", be replastering job." The government's foreign policy pronouncements are designed to signal France's ambitions for its EU presidency in the first half of next year. However, they drew a sharp reaction from President François Mitterrand who tartly reminded the prime minister that the French constitution gives the president the first word in foreign and defence policy.

on fiscal, budgetary, economic Chancellor Helmut Kohl. For the first time, they have openly stated their view that and social policy. The future structure of an expanding EU, to include not only the Scandinavian coun-Italy can no longer qualify to be a member of the inner core tries, hut also the emerging if the EU inevitably moves to democracies of central Europe, multiple speeds, or variable was spelt out yesterday by Mr Wolfgang Schäuble, the parliageometry. The expressions mean that different groups of the member states will co-ordimentary leader of the Christian Democrats, and the second nate their policies in different most powerful man in Gerways, depending on the subject many's ruling party after concerned: some will opt for

ment to ease tha liquidity prob-

The government commission

for dealing with late payments,

chaired by Mr Souhovets, has proposed an alternative pack-

Forcing companies to settle

their rouble debts out of their

hard currency accounts. Many companies have hidden away

funds in foreign bank accounts

edge against inflation. .

to avoid paying taxes and to

been settled - a proposal which

ipted outrage

industrial managers.

age of measures including:

common foreign and security policy, and yet a third combi nation for a common social policy, for example.
"For the formation of Euro-

pean policy this is a period of many crises but also of many chances," Mr Schäuble said. "Variable geometry ... gives us better chances to complete this process, given the different, sometimes competing views. Wa must accept that not every member can accept every step at the same time." Along with the CDU's sister

party, the Bavaria-based Chris-tian Social Union (CSU), Mr Schäuble presented a comprehensive five-point programme for the next phase of radical reform of the EU, intended to raconcile the conflicting demands of ever closer integration with continuing enlargement towards eastern Europe. This includes the overhaul of all the main EU institutions, granting still more democratic control to the European parliament, whila limiting the authority of the Council of

Ministers, in which the governments of the member states are represented. Apart from the reinforcement of tha "hard core", it also involves ever closer co-ordination between

the quality of relations new level". "Germany and France form the core of the hard core," the document, called Reflections on European Policy, says.

Their special relationship
faces a stiff test because it too
is beginning to show signs of
differentiation of interests and

perceptions, which might cause them to drift apart." It suggests that the two must overcome their differences of opinion on "fundamental issues of economic policy", including industrial policy and competition, as well as, by implication, trade protection ism. There must also be a debate on the long-term objectives of the common agricultural policy, and on basic fea-tures of the future financial

in the plan are the reinforcement of the EU's common foreign and security policy, and its enlargement to the east. On foreign and security poltions with Russia, and a common policy towards the Medi-

seek to buy their places onto the increasingly choosy Rus-sian market, Mars, the confec-

tionery company which has

established a manufacturing

plant in Russia, is thought to

be spending around \$20m on an annualised basis - while

western cigarette and cosmet-

ics companies are spending

between \$2m and \$6m each a

The largest Russian adver-

tisers are financial services companies and banks. Many of

these are either establishing

their names through rather

grandiose displays linking

their enterprises to Russian

historical figures or events, or

Alcohol and tobacco adver-

tising on TV accounts for some

5-8 per cent of the total.

according to Mr MacDonald.

Foreign brands of alcohol have proved particularly popular on the Russian market, with even

the vodka sector now showing

a one-third penetration by

However, whola sectors of

consumer advertising such as

cars, certain kinds of foods

and some kinds of financial

overseas brands.

year on their products

system. The other key points

icy, it stresses the priority needs for a common policy on stabilising central and eastern Europe, development of relaterranean region, including north Africa. It also singles out France and Germany, "raising

#### EUROPEAN NEWS DIGEST

## Schneider head shuns summons

Mr Didier Pineau-Valencienne, chairman of the French industrial group Schneider, is to ignore a summons by Belgian sutherities involved in a fraud inquiry. A Belgian legal official said an investigating magistrate, Mr Jean-Claude Van Espen, had summoned Mr Pineau-Valencienne to Brussels for an interview tomorrow. On Wednesday Schneider said it had taken steps to get an annulment of the legal proceedings taken against Mr Pineau-Valencienne in Belgium which led to a 12-day spell in prison in late May and early June. The company has said its chairman is willing to co-operate with Belgian officials, but only in France and under the supervision of French legal authorities.

Mr Pineau-Valencienne was arrested in May after he went who is investigating alleged fraud in the affairs of Coffbel and Cofimines, Schneider's Belgian units. Schneider said its lawyers believed the magistrate violated the 1959 European Convention on judicial co-operation and Belgian rules of procedure in criminal investigations. Reuter, Paris

#### Ukraine warning on N-treaty



nian parliament's foreign affairs commission signalled yesterday that the former Soviet republic might delay joining the Nuclear Non-Pro-liferation Treaty (NPT). Presi-dent Leonid Kuchma (left) has said he will present the NPT, under which Ukraine would give up nuclear weap ons permanently, to the com-munist-dominated assembly in October for approval, Presi dent Kuchma is due to visit the US in November, and Washington has put pressure on Kiev to join the pact. But Mr Boris Olinyk, chairman of

the influential foreign affairs commission, said parliament would sign up for the NPT "when we are ready". "This won't bappen so quickly. This time we have to be careful. One should not make romantic statements about a non-nuclear zone when all around us are nuclear states." Many Ukrainian leaders, including Mr Alexander Moroz, chairman of parliament, have criticised the US for dragging its feet on a promised \$350m (£225.8m) in disarmament aid. Reuter, Kiev

#### Closure at Tula arms plant

Russia's Tula arms factory stopped production yesterday for the first time in its 300-year history when it was unable to pay its workers, the Itar-Tass news agency reported yesterday, Customers, including the state, have not been paying the factory for orders and production at the plant, 175km southeast of Moscow, has fallen 97 per cent in three years. Only 40 per cent of the workers were paid in June and the factory did not pay anyone in July or August. Workers have been put on leave until October 1. The factory had tried to stay affoat by increasing its output of hunting weapons after it stopped making submachine guns, one of its last key military prod-ucts, in January. AP, Tula

#### VAT savings elude Germans

German companies and financial authorities have not benefited from the expected savings following the abolition of VAT after the creation of the European internal market in 1992, according to a government report. The new VAT law which applies during the present transition period has created "an almost incomprehensible amount" of extra work, according to companies and tax advisers. Government brochures, explaining the new regulations, were not available soon enough, the report said. Companies, especially smaller and medium-sized ones which were expected to benefit most from the single market, complained about the extra work resulting from new reporting requirements and more complicated searches for business partners' VAT identification numbers. Financial and personnel savings had not been possible, the report added, and differing legal and tax systems in the 12 EU member countries meant that computer software programmes needed to be con-stantly updated. *Michael Lindemann, Bonn* 

#### Cables to anchor Pisa tower Scientists plan to anchor the Leaning Tower of Pisa to thick

steel cables buried deep underground to help stop it tilting further. Mr Michele Jamiolkowksi, an engineer working with other experts to save the tower, said yesterday that work on the project would start next month. It would involve sinking 10 steel cables up to 50m below ground and anchoring them to a reinforced concrete neck that would be built around the bas of the 14th century tower, which leans about 5m off the perpendicular. The scheme is a temporary solution until a more permaneut way to stabilise the tower's famous slant can be found. Reuter, Pisa

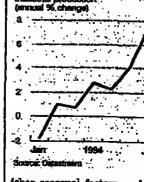
#### Stalemate in fishing dispute

The Norwegian and Icelandic foreign ministers failed at a meeting of Nordic states yesterday to make progress in a dispute concerning fishing rights around the Svalhard islands. Mr Bjorn Tore Grodal, Norway's foreign minister, and Mr Jon Baldvin Hamnibaldsson, his Icelandic counterpart, agreed at the meeting to open a dialogue but came no nearer to a solution to the dispute, "Wa agreed to disagree," said Mr Grodal. Norway has sovereign rights over Svalhard and claims the right to regulate fishing in the islands' 200-mile economic zone in the Barents Sea. This is disputed by Iceland. Hilary Rocket Commissions.

#### **ECONOMIC WATCH**

Western Germany

#### Germany's output buoyant



in July rose 2.2 per cent from June and 7.5 per cent against the same month last year, according to preliminary fig-ures released by the federal statistics office. The office warned, however, the figure would be revised down by 1.3 percentage points once final data had been collected, but analysts said the final rate of 0.9 per cent would still be strong Final figures for June were revised upwards by 0.8 percentage point, taking the monthly rise to 1.8 per cent Figures for June and July -

the two-month period dimin-

German industrial production

ishes seasonal factors - show production in manufacturing industry increased 5.9 per cent against the same period last year. Overall industrial production rose 5.2 per cent against the two-month period a year ago, with the largest rises coming in investment goods, up 7.9 per cent, and raw materials and production goods, up 6.2 per cent. Michael Lindemann, Bonn Norway's unemployment rate in August fell to 5.6 per cent of the workforce compared with 5.8 per cent in July, according to figures released yesterday by the Norwegian Labour Direc-torate. The number of jobless in August fell to 118,448 people from 124,347 in July,

The Dutch government said yesterday that wage increases negotiated as part of collective labour agreements would have risen a modest 0.8 per cent during the 12 months ending December 1994.

## Russia clamps down on TV advertising

terday approved a draft law on advertising designed to stop the blanket advertising which propelled the new noise and said he had exposed more lapsed MMM financial course radical suggestions to cut pany into most Russian homes down by decree the volume of through TV advertishes gain ing it millions of share

ing executives say that Rus. be trustworthy and sa's TV advertising market is conscientions bans becoming rapidly more sophisticated and profitable, and is subliminal ads; and

■ Greater investigating powers to assess the true financial state of troubled companies. m Encouraging the use of promissory notes as a non-inflationary means of settling Mr Anatoli Chubais, privati-

sation minister, has also suggested formal bankruptcy procedures could be used more aggressively to concentrate the minds of the managers of 200 companies which account for the bulk of the inter-enterprise debt. Mr Chubais cited the example of the Kristal enterprise, manufacturer of Stolichnaya vodka, which had suddenly "found" Rbs500m to repay a deht when it was threatened with bankruptcy.

who now face losses or even steadily acquiring the range of those, discrediting

■ Insisting that enterprises could not pay dividends until their outstanding debts have products which provide the works of art which The draft, still to be passed by the state duma (lower house of the parliament), bans all advertising from unlicensed companies - as MMM was - and prohibits any company from advertising more than twice in one hour on TV

or radio. MMM swamped TV programmes with as many as five commercials in an bour. The draft legislation also lays down that all advertisements be "trustworthy and conscientious"; bans sublimi-nal advertising and all advertising for alcohol and cigarettes; and calls for the need to protect the young. It also decrees that commercials "do not discredit works of art representing national or univer-sal values". This is to prevent

art works and historical fig-

Mr Victor Chernomyrdin, the Russian prime minister, called the measure "timely"

The draft lays down The draft comes as advertisements be trustworthy and

represent 'national or universal values'

advertising in newspapers and in the broadcast media. MMM

Mr Bruce MacDonald, head

ern consumer goods compa-

was far and away the largest advertiser on TV, spending on some estimates up to \$100m (£64.5m) annually on pushing its shares through commercials using the Golubkov family of working class ascovites.

of the BBDO agency in Moscow, said yesterday that "no other advertiser came However, a number of west-

nies are now spending heavily on TV commercials as they

Herri Batasuna, the radical

that supports Eta's separatist gunmen and has close links

with Ireland's Sinn Fein, yes-

terday called on the Spanish government to imitate the

que nationalist coalition

services such as mortgages are wholly or largely absent from the screen. Mr MacDonald said that "it would be better if the industry could develop its own code of conduct and police itself, as in other countries - but frankly it's not yet

#### injections from the governin a position to do so". Lesson for man who hopes to tame Eta

The Spanish justice minister's anti-terrorist policy appears to have backfired, writes Tom Burns



While the IRA lceasefire British and Irish govern-EUROPEAN meots towards PROFILE framing a peace settlement for Northern

lreland, politicians in Spain are at odds over how to deal with Eta, the Basque separatist organisation which to date has given no sign of ending a campaign of violence that, like Ulster's, stretches back 25

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The row centres on a discreet partial parole policy for selected members of the 525strong jail population of Eta members - a terrorist prison count that bears comparison with that of Northern Ireland. This policy is sponsored by Mr Juan Alberto Belloch who in May added the responsibilities of the Interior Ministry to his existing job of justice minister. An independently-minded

magistrate before he joined the socialist government last year and now considered one of the most influential members of Mr Felipe González's cabinet, Mr Belloch has discovered that dealing with Eta as a minister is a lot more complicated than passing sentences on the group's gunmen in a court-His partial parole policy,

which has been fiercely rejected by the conservative Partido Popular opposition and has had no immediate impact on Eta's commitment to violence, threatens to derail both his own reputation as a minister and the Spanish parliament's long-standing bi-partisen approach to terrorism.

Mr Belloch seeks with his initiative to basten the end of Eta by denting the separatist organisation's "patriots behind bars" propaganda.

Critics contend that the policy risks allowing Eta to raise its operational ability by regrouping released gunmen and by attracting new recruits on the grounds that the government is "soft" on terrorism. Known as the Biministrio because of his dual ministerial



responsibilities, Mr Belloch had a second successive day of talks yesterday with opposition parties in preparation for a formal all party of meeting this month which will attempt to re-establish a consensus on counter-terrorism policy.

Mr Belloch faced bostile questioning in parliament a month ago when he admitted that 14 Eta members, who were not named but are understood to be serving long sentences on murder counts, had received partial paroles which allow them out of prison during daytime and at weekends. The controversy over the dis-

closure of the policy coincided

Madrid that killed one of Spain's key army officers, General Francisco Veguillas who as director-general of defence policy had played a key role in the modernisation of Spain's armed forces. Mr Belloch was accused in

parliament of failing to consult the opposition over his initiative and of breaking a formal understanding that any partial freedoms for jailed Eta members would only follow a sustained ceasefire by the separatist organisation. (bi-partisan) agreement was that while Eta continued to kill, Etarras would go to prison, not leave it," said the

example of the British cabine by recognising the political nature of violence in the Basque country, writes Tom Burns. "The logic of the [John] Major government is in direct contrast to the closed and hostila position of the Spanish government which, in tha words of [interior and justice minister Juan Alberto] Beiloch, has only yesterday rejected all avenues towards an understanding and called, once more, for repression," the Basque coalition said in a statement. The Basques lescribed the developments in Ireland as "common sense". spokesman, Mr Federico Trillo. The row over the prison policy

continued during August as youths sympathetic to Eta clashed with security forces during the Basque region's summer flestas. Earlier this week, on the peak day for returning holidaymakers, Eta showed its muscle again when it took a leaf from the IRA's violence manual and bombed railway tracks linking the cities of Pamplona and

Zaragoza. As one of the chief legal officers in Bilbao, the main city in the Basque region before he became a minister, Mr Belloch balanced stiff sentences for Eta with an Eta bomb attack in conservative opposition gunner with a close watch on

the possible maltreatment of separatist suspects. He took a particularly strong line in supporting fellow magistrates investigating a calebrated case concerning police involvement in a shadowy anti-Eta death

squad. To the minister's acute embarrassment, the initial details of his controversial partial parole initiative coincided with the extension of similar partial freedom privileges to two former police officers who in 1991 received 108-year sentences for their part in the anti-Eta death squad. Mr Bel-loch knew both men well from his days as a magistrate in Bil-

The minister hotly denied that the former policemen had gained a partial parole in exchange for remaining silent over the government's alleged involvement in the "dirty war" against the separatists. Mr Belloch argued that by

extending an olive branch to members of Eta who had shown good conduct in jail he could drive a wedge between those who wanted to break with the violence and those who remained bard-core terror-

The storm created over his initiative has now prompted Mr Belloch into hawkish language. "While I am minister there will be no relationships, no negotiations, no dialogue, no taking of any temperatures and no contact of any kind with the terrorists," he said after meeting the conservative party spokesman on security

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## US N-waste clean-up under attack

By James Harding

The US department of energy's programme for cleaning up nuclear waste sites is extremely expensive and often ineffective, because of its failare to adopt new technologies, according to a General Accounting Office report.

The Congressional auditor's review of use of innovative technology in nuclear waste operations notes that, although the department has received \$23bn (£14.9bn) for environ-mental management since 1989, "little clean-up has

The result has been that, during the last five years, only about 10 per cent of the department's contaminated sites have been cleaned or closed, the GAO observed. During the past 40 years, more than 1hn cubic feet of hazardous and radioactive waste et weapons'
plants has been disposed of.
Many of the containers housing that waste are now unsafe.

"As a result of earlier disposed in weather and in the containers housing that waste are now unsafe."

posal practices, soil and groundwater contamination is now widespread," it said. The GAO said that more than 5,700 individual contaminated areas have been identified on department lands.

"Even where new technology has been successfully demonstrated, agency officials are reluctant to try new approaches, tending instead to choose conventional techniques to clean up their facili-

ties," the report says. Resistance to innovative techniques is due in part to the department's reliance on "onsite contractors who may favour particular technologies on the basis of their own experiences and investments", and local governments which "view

faster clean-up as a threat to local economies" and see little incentive to adopt more efficient methods.

The GAO etresses that developing less costly and more effective technologies may be the only way the US can afford the cleansings, which the department recently estimated would cost \$300bn in the next

The department, which requested the review in January 1993, said yesterday it was taking steps to encourage technological innovation. "This is a problem we've known about for some time and, over the last two years, we have been trying to come up with ways of utilising new technologies," said Mr Gerald Boyd, director of the Office of Special Projects in technology development. However, the GAO pointed

out that one of the other rea-sons for the tendency to use conventional techniques was the co-ordination flaws in the department's clean-up program. Individual offices have not worked together... to over-come the resistance to using improved technology, nor have offices worked together to develop a comprehensive assessment of technology needs," the report said.

The GAO cited a few cases of the department having made substantial efforts to develop new technologies. It mentioned the vitrification that turns waste into glass for easier disposal at the Hanford Site, near Richland, Washington.

It also suggests considering innovations such as heating the ground to vaporise liquid contaminants, injecting air into wells, and digging trenches to create chemical barriers so as to separate dissolved contaminants from ground water.



The US and Cube yesterday concluded a first round of talks about migration, which the US State Department called "serious, professional and business-like", writes James Harding from

Mr Ricardo Alarcon, the former foreign minister leading the Cuban delegation, had said, before the talks in New York, that the only way to stop the exodus of Cubans to the US was for Washington to end its 32-year-old embargo against Cuba.

But Mr Michael Skol, heading the US side, maintained its position that it would discuss only migration matters.

US manufacturing output slows By George Graham in Washington PMI were to average 56.2 per cent for all of 1994, then real gross domestic growth should

Activity in US manufacturing slowed down in August, but inflationary pressures continued to rise, according to the National Association of Purchasing Managers' monthly

The NAPM index fell to 56.2 per cent last month, a drop from the 57.8 per cent recorded in July, but still a level indicating strong arpansion of the economy.

"The past relationship between the purchasing managers' index and the overall economy indicates that if the

approximate 4.2 per cent," said Mr Ralph Kauffman, chairman of the association's business survey committee.

However, the NAPM's index of prices paid for materials rose in August to 74.5 per cent, with every manufacturing sector reporting higher prices in August than in July. This increase in material

prices is one of the strongest concerns of purchasers, with some indicating inability to raise product prices to cover the increased material prices.

by suppliers was also now a prime concern for purchasing executives, said Mr Kauffman. with deliveries becoming much slower in August as many material suppliers were now operating et maximum capacity. Printing and publishing. plastics and rubber, clothing,

most trouble in obtaining deliveries. Financial markets, meanwhile, are closely watching today's employment statistics for further confirmation that the pace of growth is slowing.
The unemployment rate

textiles and glass were among

the industries reporting the

Poor delivery performance dropped in July to 6.1 per ceot, by suppliers was also now a close to the rate at which many economists believe the lahour market will start to tighten and wage demands start to rise, and a further drop could prompt the Federal Reserve to tighten monetary policy further.

One indicator that has suggested there is more slack left in the labour market is an index of help-wanted advertising compiled by the Confer-ence Board, a New York-based organisation with more than 2,000 companies among its members. That index rose only slightly to 121 in July after

## Mexico high-level drug claim denied

By Damian Fraser in Mexico City

The office of Mexico's attorney-general has dismissed allegations by one of its former high-ranking employees that senior gov-ernment and party officials are involved with drug traffickers.

Mr Eduardo Valle, until earlier this year a senior aide in the office, has alleged that a cabinet minister has links with the powerful Gulf of Mexico drug cartel. Mr Valle's accusations appear to be

based on at least one meeting which the minister is known to have had with a 31-year-old Mexican woman. Some investigators see an involvement by Mr Juan García Abrego, one of the

most powerful of Mexico's drug barons.

Mr Valle, who resigned from the attorney-general's office after claiming that his efforts to investigate the cartel were being blocked by other police officials, has further alleged that the security team of Mr Luis Donaldo Colosio, the ruling party's presidential candidate who was assassinated this year, had been infiltrated by the Gulf cartel. Mr Valle believes that the car-

tel may have ordered the assassination.

Mr Valle has also criticised the new attorney-general for appointing drug enforcement agents who, in Mr Valle's

opinion, are protectors of drug traffickers. The attorney-general's office interviewed Mr Valle last week in Washington, where he is now living. It then stated there was a "lack of evidence to determine any respon-

sibility of public servants mentioned by Mr Eduardo Valle in whatever activity connected with the so-called Gulf Cartel." It said there was no evidence to suggest Mr Colosio's security team had been infiltrated by drug traffickers.

Mr Valle had been hired by Mr Jorge Carpizo, a former attorney-general and now the interior minister. Mr Valle is a former leftist student leader and politician, and officials have sought to discredit him as unreliable and possibly unstable.

His accusations have generated wide publicity in Mexico's independent press but state-controlled radio and televisiou have been instructed to keep him off the air. A prominent radio host was recently

## Bermuda plans tougher rules for insurance market

The Bermuda government has announced plans to tighten its insurance regulations, in a move designed to affirm the long-term stability and financial health of its rapidly growing commercial insurance and

reinsurance market. Over the last two years between \$4.5hn and \$5hn (£3.2hn) of capital has been pumped into the island, much of it directed towards the formation of eight new companies specialising in catastrophe

The government aims to update a framework developed largely to control an industry dominated by captive companies - subsidiaries formed hy industrial and service companies mainly to insure the risk

The changes, which are expected to come into force by the end of 1995, were announced yesterday by Mr David Saul, the minister of finance, and include a range of tough new requirements.

Highly capitalised insurera writing significant amounts of "direct excess liability" and/or "property catastrophe reinsurance" will be required to dem-

By Stephen Fidler,

to the private sector.

The Argentine government is planning a second round of privatisations, to complete its

transfer of federal enterprises

Mr Domingo Cavallo, econ-

omy minister, said the remain-

ing privatisations, to take

place by the end of 1995, would

include the sale of all airports,

three nuclear power plants, the

post office, the federal mint

and the country's largest petro-

chemicals plant. He gave no

estimate of how much the new privatisations would raise.

The next round is to include

enterprises which, for various resisons, it has been difficult to

For example, the country's petrochemicals industry is in

deep recession, with competi-

tion from cheap imports, previ-

ous privatisation of the air-

ports, of which there are about

privatise in the past.

Argentina prepares

major second round

of privatisations

\$100m, while some other insur ers will also need to show higher levels of capital

Solvency margins - the yardstick which compares net assets as a percentage of premium income and measures the financial health of an insurer - are to be radically tightened. These will he adjusted to levels which in some cases are more stringent than the international norm. The heavily capitalised companies will need to show solvency margins to at least 50 per cent, for example.

The significant changes that have taken place in the Bermuda marketplace now require change in the insurance regulatory system," said Mr Saul. It was no longer appropriate to apply one set of regulations to all Bermuda insurance companies, he

concerns held in London ione of the centres of the world's reinsurance market] that, come the next hurricane, some of these new reinsurers will simply head for the bills," said Mr Roger Scotton, director of

two dozen in the country, has been resisted by the Argentine

air force, which has an important role in airport

Mr Cavallo, who was speak

ing to Argentine bankers, was also underlining the govern-

ment's determination to keep

public finances in order through 1994 and 1995.

in the public sector, including

the military, and indicated

vacancies would be left unfil-

led. Public spending on non-

salary, non-investment areas

would also be cut by 10 per

A similar 10 per cent cut was

announced last year by Mr

Cavallo hut most ministries

undershot their budgets any-way. According to Consensus

Economics, a London-based

economics consultancy, the

average of private forecasts for

the Argentine hudget this year

is for a surplus of 0.6 per cent.

He announced a hiring freeze

# "I'm arriving tonight and I have no time to pack. How much do I have to bring?"



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## Israel to open liaison offices

Israel and Morocco moved towards establishing full diplomatic relations yesterday, marking a another breach in the wall of Arah economic and political isolation which has surrounded the Jewish state since its creation in 1948.

Morocco will become the second Arab state to have direct ties with Israel after Egypt signed a full peace with its neighbour in 1979. Although Israel and Morocco will initially open "liaison offices" rather than embassies Israel's foreign ministry said its mis-



Hassan: conference host

mission in Tel Aviv would be staffed by diplomats and cover all economic, cultural, trade and diplomatic activities including issuing visas, Mr Shimon Peres, Israeli for-

eign minister, said the move paved the way to "an opening of a regional system of rela-tions". Israeli officials said other Arab and Islamic states, such as Tunisia, Indonesia, Malaysia, Kuwait and Oman could soon follow Rabat's lead. They also said the step erodes tbe Arab economic boycott of Israel, which the Israel Chambers of Commerce estimates has cost the Jewish state about \$50bn (£32bn) in lost trade and

investment since 1950. Morocco's decision to open its liaison office in Tel Aviv follows international diplomatic practice of not recognis-

is also chairman of the Islamic Conference Organisation's Jerusalem committee and as such is committed to reversing Israel's assertion of sovereignty over the city.

The kingdom also said, in a

separate statement aimed at maintaining a balance between Israel and the Palestinian self-rule areas, It would open a liaison office in Gaza for relations with "Mr Yassir Arafat, President of the State of Pales-

Israal has long maintained clandestine relations with Morocco and trade between the be worth \$100m last year. Up to 600,000 Israeli Jews have Moroccan origins and both states believe the potential for trade and tourism is consider-

In October King Hassan of Morocco will host an international conference on economic development in the Middle East sponsored by President Bill Clinton. Hundreds of companies from Israel, Europe and Arab states are expected to attend the Casablanca event to devise ways of financing multibillion dollar Middle East pro-

jects in the post-peace era.
Israelis, particularly Jews of
Moroccan descent, will be overjoyed by the move in a country where many people judge the peace process by the extent to which It ends Israel's isolation. Israeli businessmen will also bope relations with Morocco will help end the Arab economic boycott, Jordan and Egypt both have formal trade relations with Israel, Qatar is talking with Jerusalem about a natural gas project and Kuwait and Saudi Arabia have eased some of the boycott rules to attract US companies which do business with Israel. Egyptian industrialists, who visited Israel last week, said the time had come to "warm-up" the 16-year-old "cold peace" with Israel and forge much deeper economic, trade and financial ties. A formal suspension of

## Morocco and 'Mr Clean' foresees new power bloc

Japan could soon have a coherent opposition, William Dawkins writes

apan's fragmented opposi-tion parties are just weeks away from pooling forces to create the first powerful opposition group for nearly 50

rears.

That is the belief of former prime minister Toshiki Kaifu, 64, father of the reforms to have swept Japanese politics over the past year. The "Mr Clean" of Japanese politics yesterday took a break from cam-paigning in his home prefec-ture of Alchi, the heartland of the Japanese car industry, which is due for a critical by-election in 10 days, to explain his hopes. If Mr Kaifu is right, Japan's

frustrated economic partners will have cause to throw their hats in the air. Lack of a coherent opposition during nearly four decades of one-party rule by tha conservative Liberal Democratic party is commonly held to have suffocated politi-

This has bolstered the power of the state bureaucracy, often tempted by economic protec-tionism, which is blamed for contributing to Japan's huge current account surplus. The new group, provisionally named the "new-new party" by the Japanese press, would have about 200 lower house seats, so rivalling the LDP for size.

Mr Kaifu created a stir two months ago by leaving the LDP, in a failed attempt for the premiership, which was seen by his enemies as fumbled opportunism. He was prompted, he said, by distaste for his colleagues' decision to form a coalition with the LDP's traditional foe, the Social Democratic party, to attain the parliamentary majority needed to return to power after a humiliating year in opposition.



Toshiki Kaifu: much depends on Aichi by-election

of the past by choosing a prime minister from the SDP, just to get back into government, It is my responsibility, as the one who started reform, to say this was wrong," said Mr Kaifu. He had repeatedly warned that the guard three years ago for being too keen on reform.

In the weeks since leaving the LDP, Mr Kaifu has built a prominent place in the pro-reform opposition. He is working with Japan's other two most LDP was losing its way ever popular post-war prime minis-since being ousted by the old ters, Mr Morihiro Hosokawa and Mr Tsutomu Hata, to create the new super-party, the subject of intense backroom bargaining over the past

Mr. Kaifu was certain the 10 parliamentary opposition groups will shortly agree a common policy platform and joint electoral candidates. "I assure you we will succeed,"
he said. He is ostentatiously non-committal on suggestions that he is a candidate to lead

the new super-party.

Much depends on the outcome of the Aichi by-election for an upper house seat on September 11. It will give a measure of Mr Kaifu's own elec-toral value, as leader of the campaign, and could help win over those opposition members still doubtful about joining the super-party. It will also be watched closely by the government coalition, as the first election test since it grabbed power at the end of June. Aichi's upper bouse poll will

also give a chie to whether or not political reform really will shake up Japan's power struc-ture, because it will take place under electoral rules similar to those due to come into effect for the more powerful lowar house next year.

There will be single candi-

dates from the government and opposition coalition groups. fighting openly for a single seat, rather than a cosy shareout of several seats, as under the old multi-seat constituency

Mr Kaifu, making a brief stop in his Tokyo office before returning to Aichi to campaign for the opposition candidate there, helieves the outcome will make or break the government. "It is going to be difficult for an administration com-

NEWS IN BRIEF

up with an ideology. The only way they can survive is to maintain the status quo," he

The SDP and LDP are like oil and water. They cannot compromisa, and can only lay on important decisions like tax and post-war reparations," he argues.

In theory, the opposition should have an advantage in Aichi. Mr Koshiro Ishida, chairman of the Buddhistbacked Komeito, tha Clean Government party, the second largest opposition group, has a seat there. There is also sup-port from local unions linked to the Democratic Socialist Party, an important opposition group supported by Toyota, the powerful car maker based

All this invites the question whether the reforms started by Mr Kaifu in 1991 really will produce a new breed of skilled politicians better able to make policies that respond to voters' aspirations, rather than scheme for power. Yes, reform did go through

a lot of detours," he admitted, referring to the success of LDP party elders in watering down his original plans. Yet a vital general principle has been introduced. Politicians will henceforth be held more directly accountable for their policies, by virtue of a more competitive electoral system, Mr Kaifu argued.

That will make the job of prims ministers in the mid-1990s far harder than was the case when Mr Kaifu held the post. When asked if he wants another crack at the leadership, post-reform, Mr Kaifu laughed uproariously. "That's not in my mind just now," he said. "I just want politics to be Jiang set to raise profile with tour

By Tony Walker in Beijing

When President Jiang Zemin of China arrives in Moscow today at the start of a four-day visit, his purpose will be twofold: he will be seeking to promote a closer commercial and strategic partnership with Russia and at the same time boosting his own stock on the international stage

With China in a transitional phase in preparation for a new generation of leaders (Mr Deng Xiaoping, the paramount leader, is in falling health), it is important for Mr Jiang to essume the aura of an international figure.

segnently to Ukraine and France is part of attempts to bolster his appeal. It follows his appearance at the Asia

China has approved its first private bank with the shareholders coming from domestic private compani according to the official Xinhua news agency, Tony

Walker writes.
The People's Bank, China's central bank, gave its approval to the new continuing reforms of the hanking sector.

China has been licensing some new banks, but they have been connected with public sector companies or

Mr Jing Shuping, chairman of the All-China Federation of Industry and Commerce, said the new bank would not accept foreign shareholders, but it would act for foreign

Little detail of the new bank was provided in a brief Xinhua despatch, but Mr Jing said the bank's initial capital would he Yn2bn (£151.5m).

The establishment of the privately owned bank was described as a "significant experiment" in China's banking reforms.

Pacific Economic Co-operation. (Apec) forum in Seattle last ... November, which was also aimed at enhancing his credi-

document on border demarcation in the remote western region of China and sign an accord in which the two countries agree not to target each other with nuclear missiles. All this is a far cry from the tension between the commu-

nist giants in the early 1960s; which led to a brief border war and frequent skirmishes. When Mr Jiang initials the border agreement, 99 per cent of bor-der disputes will have been resolved, according to an official Xinhua news agency despatch.

communique aimed at providing a framework for development of political and commercial ties into the next century. While two-way trade at \$2.245bn (£1.46bn) for the first six months of this year is down 39 per cent on the same period last year, Beijing and Moscow envisage the continued devel-opment of a substantial trad-

ing relationship.

Two-way trade reached \$7.68bn last year, an increase of 30 per cent over the year before, making Russia China's in the first six months in ber-

gration issues. Russia is proving sensitive to a flood of Chinese traders moving across the border into its far eastern regions. Russian officials fear this is a form of "colonisation", with the Chinese over-staying their visas.
"This situation is not good and should be corrected or

stopped," Mr Jiang told Rus sian reporters in Beijing this week, but he added, using a Chinese idiom: These are only problems in the course of development. We should not

contacts between Chinese and Russian officials in the past

this year included Mr Victor Chernomyrdin, the prime minister, and Mr Andrei Kozyrev. the foreign minister. China's foreign minister. Mr Qian Qichen and the defence minister, Mr Chi Haotian, both visited Moscow this year.

ing to extend their defence co-operation, with the Chinese pressing the Russians to supply technology for a fighter air-craft. China has also been a big purchaser of Russian def equipment, with orders for 26 Su27 fighters, and plans for another squadron.

## Shingles drug output ordered suspended

By Emiko Terazono in Tokyo

Japan's ministry of health and welfare yesterday ordered the suspension of production of a shingles drug whose side effects allegedly killed 15 patients

The ministry said Nippon Shoft viothe boycott, however, is unlikely until Israel withdraws lated the Drugs, Cosmetics and Medical Instruments Law, as the company only reported one death of a patient during clinical trials, when in fact three from the still-occupied West

patients had died. The suspension will last 105 days from next Monday: Sorivudine, the shingles drug, was brought to the market last September, but was withdrawn two months later following the deaths.

Until now, the health ministry, Nippon Shoji and doctors have been blaming each other for the deaths. Doctors and the company have been pointing fingers at the ministry for allowing the drug to be marketed in the first place, while the doctors have been blamed for not reading the warning against prescribing Sorivudine along with certain other

In order to avoid criticism, the ministry is not withdrawing official approval of Sorivudine, since it would raise questions over wity the government authorised the drug in the first place. Mesnwhile, Nippon Shoji is under

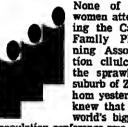
investigation from the Securities and

alleged insider trading. A total of 139 company employees and their relatives are alleged to have sold the company's stock ahead of the announcement of the

Analysts say the suspension would be blow to Nippon Shoji's earnings. Some 91 per cent of the company's revenue comes from drug wholesaling, but profit margins on the business are thin and about a quarter of earnings derive

Population curbs have worked, but there is still far to go, Mark Nicholson reports

## Where Egypt boasts decade of progress



Family Planning Association cliule in the sprawling suburb of Zeinhom yesterday knew that the world's biggest

population conference was due to open up the road on Monday. Few probably cared; none seemed the least persuaded that seeking family planning advice might be un-Islamic. "I'm convinced Islam Is not against family planning," said

Hoda, a 30-year-old woman swathed in a black Hejab veil, the badge of Islamic piety. "My brother-in-law is a religious man and he ordered his wife not to use contraception. He tried to deter me, but I didn't listen. I encouraged all my friends to come to the clinic. Now all of them blossom like fresh jasmine."

Hoda has stopped at five children, and was having a routine check on her RID, a visit which cost 25 plastres (about 5p) at this private clinic. Her 21 year-old sister had come along too. She has two daughters and said that was enough:

of growth.

inflated numbers by tribal

chiefs and regional governors

hoping to boost their political clout and revenue allocation.

The United Nations Popula-

tion Fund has projected the

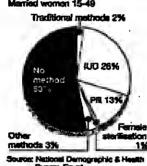
"I have an IUD, and don't plan to have any more children. My husband would like a son, but he doesn't pressure me.

For most women visiting the clinic, said Dr Mawahab el-Mouelhy, a UK and US-educated doctor, birth control is a practical consideration, determined usually by women's con-cerns for their health and, perhaps more commonly, because they simply cannot afford to clothe, feed, educate or house more children.

For all the criticism by Egypt's religious conservatives of the population policy agenda of Monday's International Conference on Population and Development, the strictures of Islam have so far done little to put a brake on a decade of progress in population control, which Egypt's policymakers and aid workers consider little short of remarkable.

The population growth rate has plunged from 3 per cent to about 2.1 per cent. A fertility rate of 5.3 in 1980 has come back to an average of 3.9 births per woman, 2.9 in urban areas. Knowledge of family planning among married couples is almost universal, while 47 per cent of women use contracep-tion in Egypt (predominantly

Married women 15-49



IUD devices and the plll)

against 24 per cent in 1980. Behind such results lie 20 years of concerted government policy, backed by foreign aid, of which USAID has provided 75 per cent of all family plan-ning assistance, a total of about \$170m (£113m), to fill the media with birth control information and stock and staff hundreds of clinics, enough for 96 per cent of all Egyptian women to be within 5km of a

family planning centre.
But cheered as the govern-

ment and organisations such

as USAID are hy such results,

fortably sustain. At present rates, Egypt's 60m population grows by 1m every 10 months.
The constraints on the country's most basic resources are severe enough; all but 4 per cent of its im sq km is des A recent report by the UN's Economic and Social Commission for Western Asia reckoned

Egypt was consuming 95 per cent of its available water sources and faced a water deficit by the year 2000. By most estimates, the economy needs to generate about 500,000 jobs a year to mop up new entrants to the labour force, implying an annual growth rate of 5 per cent of GDP, more than twice the most

optimistic estimates of present growth. The World Bank reckons that at least 5m new jobs must be created by 2000 even to halve the present unemployment rate of 20 per cent. But population experts tend to agree that cutting the growth rate to perhaps 1.9 per

cent is unlikely to come by pro-

their ambition of creating for "Which is the status of women Egypt a population growth in this country. We need to work hard on this. It's not just family planning, its about education of women." Emphasis on the education of girls is a central theme of ths conference's draft docu-

ment to be discussed next week in Cairo, and one which groups such as USAID and the Population Council hope the conference's hosts will take to heart. A well established concomitant between raised edu-cational standards among girls and subsequent falls in fertility rates is seen as the key to future policy in countries such as Egypt, these groups argue. A guide to the task lying ahead for Egypt lies in the fact that, by conservative esti-mates, at least 66 per cent of

Egyptian women are illiterate. Changing that will require more than the provision of teachers and schools, of which Egypt must already build on average one a day to keep np

with the rise in schoolchildren. It will need an attempt to alter many ingrained attitudes, and is likely to depend on an improved economic climate. All that before the air can thicken with the scent of jas-

viding more pills, colls or publicity campaigns alone. There is something miss-

## Japanese car sales up sharply

growth in August, rising at a sharply increased pace which industry officials said was evidence demand was recovering, Gordon Cramb reports from Tokyo. The 9.3 per cent year-on-year jump in unit sales of passenger cars, according to the Japan Automobile Dealers' Association yesterday, compares with a 1.5

per cent upturn in July.

Demand was strongest for new subcompact models, to which leading manufacturers have attached competitive price tags. The figures exclude the special category of mini-vehicles with an engine capacity below 660cc, sales of which have been on a rising trend for some months. Analysts said the improvement in the consumer market fol-

owed tax rebates provided as part of a government package to stimulate the economy. Sales of all vehicles except minicars and minivans rose 12 per

cent, a third successive gain and the first double-digit increase since August 1990. This stemmed in part from an 18.6 per cent leap in truck sales. Many older commercial vehicles are being replaced because of tightened emission and load requirements. Toyota, the motor industry leader, sold 14.6 per cent more vehicles than a year ago, but the second ranking Nissan remained out of favour, with a 3 per cent fall.

#### S African strikers fired on

Labour unrest in South Africa drew a violent response from the security forces yesterday when police fired on striking forestry workers, injuring at least 20. Private security personnel used stun grenades and rubber bullets to quell a disturbance by striking gold miners, Patti Waldmeir reports from Johannesburg.

Five miners were injured in demonstrations, including a sit-in by 300 miners underground at an Anglo American mine near Carletonville, south west of Johannesburg, the company said. Violence also broke out at a forestry plantation near Piet Retief, close to South Africa's border with Swaziland. Police said they fired birdshot to disperse 4,000 workers, injuring at least 20. Local officials of the African National Congress said four had died, but police denied this.

Labour unrest, either backed by unions or unofficial has increased in South Africa since the black-majority government of President Nelson Mandela came to power in May. Pay is the biggest issue, as black workers raise their expectations following the demise of apartheid and white minority rule.

#### Uzbek dissident faces trial

Authorities in Uzbekistan have charged the country's most prominent dissident with anti-state activities - at the same time as the former Soviet Central Asian republic celebrates its third anniver-sary of independence, described by its president as "a guarantee of freedom", John Lloyd reports from Moscow.

Ms Vassilya Inoyatova, who leads the banned opposition group Birlik (Unity), said earlier this week that she had been charged with breaking article 60 of the Uzbek criminal code, after police found two sacks of the newspaper Erk, also banned, in her flat, No date for her trial has yet been set. All opposition activity is

#### Zaire wants Rwandans out

Zaire wants the 12m Rwandan refugees on its territory to leave by the end of the month, Justice Minister Kamanda Wa Kamanda told representatives of Rwanda's new government yesterday. Reuter reports from Goma. Speaking at the start of a ministerial meeting with the Rwandan government, Mr Kamanda said Zaire would encourage the return of the Rwandan refugees by halting the activities of Rwandans hostile to the new government in Kigali and disarming and encamping members of the former Rwandan government army.

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The two sides will also sign a ing relationship.

seventh largest trading part-ner. Exchanges this year have been hit by a 50 per cent shump der trade because of disagree-ments over customs and immi-

give up eating for fear of chok-ing."
Mr Jiang's visit to Moscow follows increasingly frequent year or so. Russian visitors to China

China and Russia are seek-

#### they remain far from meeting ing," says Dr el-Mouelhy. Falling prosperity hurts family planning tures, is often deceptive and never more so than in atti-tudes to education and the role population growth outstrips economic growth. Nigeria at review of the national pro-Paul Adams gramme. "Although some 90m people is by far the higgest vomen have made considerreports on nation in Africa. In the mainly Christian able progress in the the aca-

Until 1988, when Prof Oli-Nigeria's special koye Ransome-Kutl, then health minister, launched a problems national population policy. Nigerians had been so proud of their self-styled tag as the "giant of Africa" that, as long

average population growth rate between 1990 and 1995 as 3.1 as the oil money rolled in, they per cent (which would double the population in about 30 regarded bigh population growth as healthy, and saw lityears) with the birth rate at 45 tle point in controlling the rate per 1,000 persons and death rate at 14 per 1,000 (including Nigeria was then believed to infant mortality rate of 96). have at least 110m people, put-The UN estimates the fertility rate at 6.1 children per ting it among the 10 largest populations in the world. The woman, while the national pol-1991 census caused a surprise: lcy set a target of only four. Nigeria had only 88.5m. The Since the 1970s the urban population has risen from 30 per over-estimate was a result of

> of growth in the towns is higher at 5.5 per cent. Generalising about Nigeria, a country of over 200 ethnic groups and very diverse cul-

cent to nearly half and the rate

sonth, female education and literacy are far higher than in the predominantly Moslem north, where even the discussion of birth control is not widely accepted. in the south-east there is a high percentage of Catholics

especially among the Ibo tribe. The alarming declina in social services during the 1990s has halted the progress towards family planning clinics and universal primary education especially in the north, bolstering the infinence of the Koranic schools.

Even nationally, the UN paints a bleak picture. "The status of women in Nigeria has improved little over the last decade. In general, they are considered second-class citizens not by law but because of the social and cultural cli-

demic and business world. Nigerian women, particularly rural, are clearly underprivi-The literacy rate for women

is 31 per cent (54 per cent for men) and more than half of all Nigerian women were married at the age of 15. The problem of education lies not just with women. As a prominent women's group in Nigeria points out, there may be a target of four children per woman, but in a polygamous

society many men far exceed that figure.
If the prospect of curtailing population growth is limited the outlook for economic growth has become bleak Despite the massive oil boom in the 1970s, the GDP income per capita is down to around \$290, about the level of 1963.

risen from a lower per capita income to a level three times that of Nigeria. In January's budget speech by finance min-ster Mr Kalu I Kalu, commented on three years of political uncertainty, capital flight government over-spanding, which "resulted in a further decline in GDP growth rate from 4.8 per cent in 1991 to 2.9 per cent in 1993. "A comparison with the

average growth rate of 5 per cent from 1988-91 demonstrates the enormity of the task involved in resuscitating the economy in 1994 and beyond," concluded Mr Kalu. Since then strikes, shortages and a dearth of foreign exchange have taken the economy further down hill. Nigeria accounts for about half of West Africa's population and whereas Ghanaians once poured into Nigeria for a better life, the chances of reverse migration look ever more

# Iran presses Control of Angola beyond Savimbi's grasp But both sides may have reason not to sign a peace accord now, writes Nicholas Shaxson The refugees now occupying demands to control the governorship of Humbo, their capital, have not been met. The government's capture last The government's capture last The government's capture last The government offensive on sevented a government offensive on for the capital can stand on its rocket-share. The government's capture last The government offensive on sevented a government offensive on for them. The government offensive on for the capital can stand on its rocket-share. The government offensive on for them. The government offensive on for them. The clear know for the standard of the capital can stand on its rocket-share. The government offensive on for them. security pact

Iran yesterday called for a "defensive accurity" pact among Gulf countries, which would include an accord to curb the build-up of conventional arms in the region and the outlawing of weapons of mass destruction.

The proposal, the most detailed Iran has yet put forward, came in a speech to the United Nations Disarmament Conference by Mr Ali Akbar Vslayati, foreign minister. However, it is likely to get a cool reception from Iran's Arab neighbours who distrust Tehran's brand of Islamic radicalism and its perceived ambitions for regional superpower

Yesterday'a initiative reflects Tehran's concern at its exclusion from existing Gulf security arrangements since the defeat of Iraq in 1991 and its desire to reduce US influence

in the region. Iran, which has been seeking to rebuild its armed forces since the devastating eightyear war with Iraq ended in 1988, has viewed with disquiet the heavy armaments spending by Gulf states aimed at deterring Tehran's territorial claims and meeting any threat from \$40bn (£25.8bn) worth of armaments was flowing into the Arab Gulf states, the highest rate of arms purchase in the

"Something must be done to stop this senseless arms race."

The first step towards a defensive security pact would be the creation of a regional security forum where "threat perceptions and security con-cerns" could be aired openly and confidence-building mea-

To pave the way for a zone free of all weapons of mass destruction all states in the region should renew their commitment to renouncing nuclear weapons, join the Nuclear Non-Proliferation Treaty and ratify the United Nations convention which outlaws chemical weap-

More controversially, Mr Velayati urged "regional provi-sions" to guard against cheating un nuclear, chemical and biological arms.

On conventional arms, the proposal was more tentative. Mr Velayati said possible measures included an exchange of information on wsapons stocks, agreement to cut mili-tary spending and a ceiling on arms imports.

government's main financial support against the rebel National Union for the Total Independence of Angola

The Turismo used to house senior Unita rebel officers following a May 1991 peace agreement with the ruling MPLA government. But its shattered walls now testify to the collapse of that peace. Unita's leader, Mr Jonas Savimbi, who rejected defeat in UNsponsored elections in late 1992, led his followers back to war, leaving many of his officials stationed at the Turismo to die in the ensuing MPLA

More than nine months of peace talks in the Zambian capital, Lusaka, have since aimed at ending Africa's longest-running war, which started soon after Angola's independence from Portugal in 1975. For more than six months, UN mediator Alioune Blondin Beye has been saying the two sides are close to a deal. Yet some observers in Luanda dis-

onslaught.

UN sanctions and at obscuring events on the battlefield. Both sides may have reason not to sign an accord now. Government generals, advancing on the ground, could win back more land, while Unita's

miss the talks as nothing more than a

show aimed at beading off tightened

dealt a powerful blow to the rebels, who use diamonds to buy weapons. Last year some \$250m (£168m) worth of diamonds came ont of Angola, mostly from the Cafunfo area.

The loss will not cut off all of Mr Savimbi's funds. The diamond fields are huge and lawless; they swarm with small-time but well-armed dig-gers, many of whom will remain loyal to the Unita cause.

But the defeats around Cafunfo, the loss of the northern provincial capital of Ndalatando in early May, and other government victories underline the rebels' weakness. The government throsts into the north have been led by freshly trained Angolan counter-inrgency commandos, with help from Sooth African and other mercenaries. The besieged government garrison in the central highlands town of

Cuito, in the heart of traditional Unita territory, surrounded, starved and pounded by heavy artillery for a year and a half, last month blasted rebel forces from positions in the town cen-tre and scattered them into the hills. Mr Savimbi's western cold-war supporters have now gone home. The collapsed 1991 accords were part of a wider regional deal which linked the departure of 50,000 Cuban troops, who had fought alongside the MPLA since



Jonas Savimbi: rejected poll defeat

1975, with the withdrawal of South African forces from Namibia, Ango-la's southern neighbour. South Africa and Namibia are now ruled by traditional MPLA allies.

The government produces more than 500,000 barrels a day of oil, last year worth some \$2.75bn, more than 60 per cent of which has gone directly into the defence budget. Arms ship-ments from Spain, Israel, Brazil and the former Soviet Union are being unloaded openly at Luanda's airport

Soyo, Angola's second-most productive oil town which produced some 35.000 b/d before Unita captured it last

Yet Huambo still remains the key diplomatic and military prize. Unita refers to Huambo as its "Jerusalem" and sees control of the city as the key to any peace agreement. But the gov-ernment says its refusal to accept a Unita governor in Huambo is "not negotiable".

Mr Savimbi appears unwilling, or unable, to concede what is demanded of him. To be denied governorship of Huambo, after nearly 20 years of civil war, may be impossible for him to sell to his generals and to his people.

He also knows the bettle to control all Angola, by military or by electoral means, is beyond his grasp. He may thus think his best hope is to carve out a kingdom of his own centred on Huambo, its borders frozen in place by UN peacekeepers called in, should a peace agreement be signed.

But the Luanda government and the outside world, afraid of a de facto partition of Angola, want to avoid sanctions already ban supplies of fuel and arms to the rebels and they also threaten to close down Unita bank accounts and offices abroad if the rebel group does not give up demands to install its own governor in

Mr Savimbi has said new sanctions will scotch the talks and the UN has repeatedly backed down from applying them. The clear knowledge on both sides that the war is unwinnable may prove enough incentive to find peace. The government koows Mr Savimbi cannot be fully defeated. Even on a shoestring budget his rebels can continue to make the countryside ungovernable.

But diplomats in Luanda also believe an agreement in Lusaka could be one of the smaller hurdles on the road to a lasting peace in Angola.

The UN is trying to work out formula for peace involving revival of the 1991 accords. But the extent of mistrust stirred up by the disaster of those very accords has severely dam-aged chances of real peace. Wheo Mr Savimbi lost elections in 1992, be used stockpiles of weapons hiddeo in the bush to storm back across much of Angola, overwhelming the largely demobilised government forces in town after town. Neither side will find it easy to disarm this time.

Many Unita soldiers who were in the Hotel Turismo and other parts of Luanda when the war broke out again were hunted down and killed, "They shot me in my office," Unita general Mukumba Gato, who escaped from Luanda with a bullet in his arm, said in Huambo earlier this year. "I am

## Climate talks end without accord

By Frances Williams

Representatives from more than 150 nations will today end a two-week meeting on the UN climate change treaty with no agreement on proposals to toughen curbs on emissions of

greenhouse gases. acceptance by governments that existing curbs are inadequate to prevent a dangerous atmospheric build-up of carbon dioxide and other gases that cause global warming. "It is clear that [present] commitments are not sdequate," Mr Raul Estrada-Oyuela of Argentina, the meeting chairman,

said yesterday. The 1992 climate change convention, now ratified by 93 nations, requires developed countries to bring carbon dioxide emissions back to 1990 levels by the year 2000. But no pledges are required for post-2000, nor do developing countries yet have any obligations

to cut emissions. One group, led by Germany, Denmark and the Netherlands, has been lobbying for a new protocol to be adopted at the

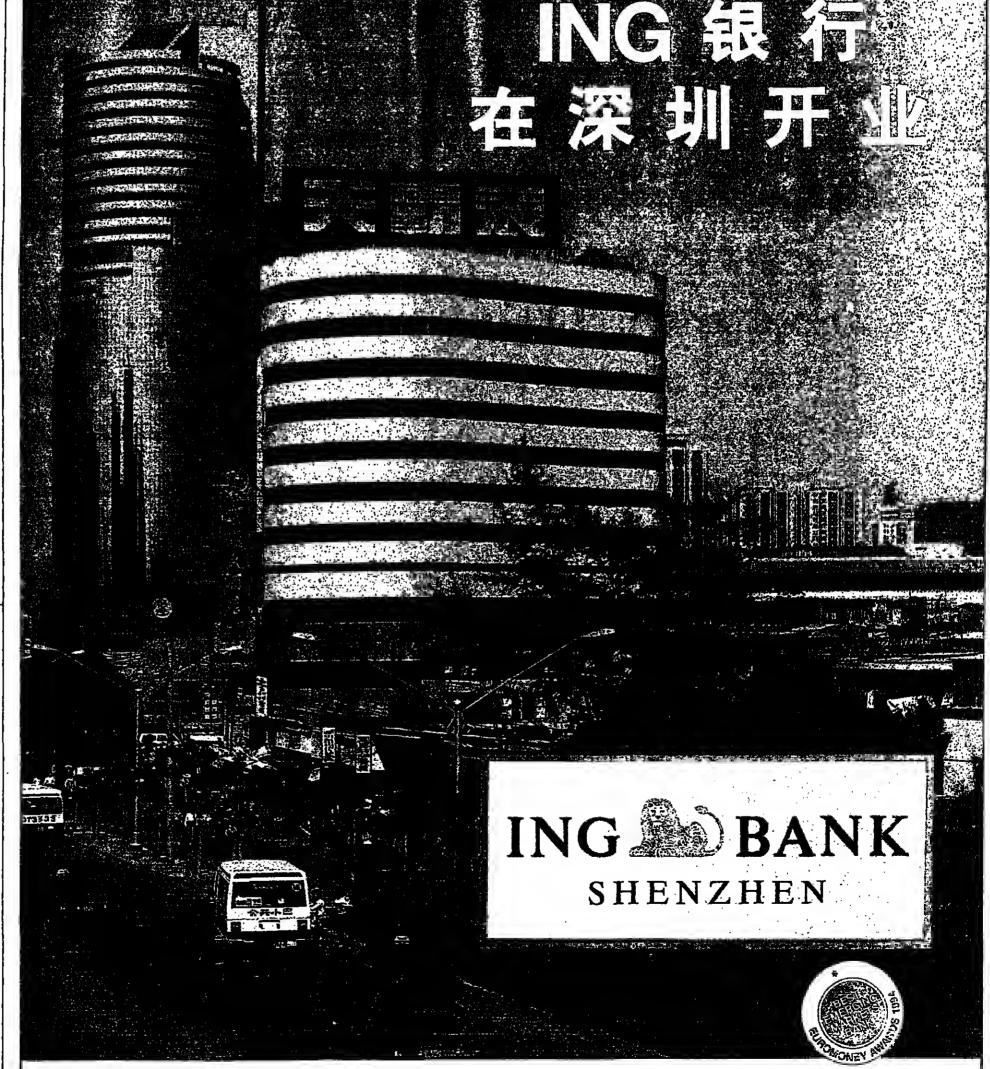
first conference of the parties to the convention in Berlin next spring.

Germany's environment minister, Mr Klaus Töpfer, this week proposed a 15-20 per cent cut in carbon dioxide emissions of industrialised nations

But for a protocol to be adopted in Berlin, drafts must be circulated by September 28, six months ahead. Conference officials said the US, Britain, China, India and the petroleum-exporting countries were among those dragging their

Britain and the US are said to be holding out for a satisfactory deal on "joint implementa-tion", enabling them to meet part of their obligations by financing projects to reduce third

The Berlin meeting must decide on the permanent home of the convention secretariat, mally based in Geneva Geneva, Bonn and Montevideo have made formal offers to host the secretariat, which will have a staff of 50 and an annual bndget of \$10m-



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Aerospace Correspondent

The Way

The European Commission is consulting the European airline industry and governments on tightening existing state aid rules for airlines at a tima when government subsidies to European national carriers are running at a rate of \$10m a

But Mr Herman De Croo, chairman of the European Commission's independent "wise men" committee for air transport, yesterday warned st s Financial Times aerospace conference that there was s risk that carriers seeking subsldies would receive their shars of state aid before stricter guidelines came into

The "wise men" committee, which was set up by the Commission last year to draw up recommendations on the future of the European airline industry, is also due to meet at the end of this month Mr Marcelino Oreja, the new European transport commissioner, to dis-

cuss the issue. One of the principal recommendations the committee made in its report in February was the establishment of clear guidelines on airline subsidies. But Mr De Croo noted that, in July alone, the Commission approved state aid totalling \$7.1bn, to three airlines including TAP Air Portugal, Olympic Airways of Greece and Air

has approved state aids to European airlines totalling \$10.35bn. That's roughly \$10m a day," be told the FT confer-

"The tragedy of it all is that when the economy is improving, air transport is on the upswing, and most big airlines are finally making money, a hard core of state-owned majors appear unable to take any medicine at all," he added. Some European

governments under political

their country's labour organisations have in Conferences turn placed significant pressure on the Commission to allow state aid to airlines, Mr

The Commission's recent approval of state aid to s number of European airlines, especially s FFr20bn (\$3.7bn) package to Air France, also came under hesvy strack from senior airline industry execu-

ives at the FT conference. Mr Rohert Ayling, group managing director of British Airwsys, said the combined effects of liberalisation and the recession had created a two class airline industry in

The first involved airlines which have had to solve their problems on their own; the second included airlines which continued to defy the laws of This means that since economics and had enjoyed a

"We don't see why Air France should be protected to the detriment of other airlines which are not allowed to dip into their taxpayers pockets,

The issue of state aid was an important test for the Commission. So far, Mr Ayling said, Brussels had "dramatically failed" this test and done "lasting damage" to its reputa-

Mr Jan Stenberg, president of Scandinavian Airlines Sys-tem (SAS), also said the Comon's policy on state aid would slow down the overall European air transport deregulation process.

The policy was also attacked hy Mr Hans Mirka, head of international operations st American Airlines, one of the two biggest US carriers, who said the recent subsidies to Air France, TAP and Olympic equalled more than 40 per cent of the total losses on all west-ern airline scheduled international passenger services in the past four years.

He also said several European governments had moved sggressively to restrict the ability of US airlines to fly to and beyond their markets.

If other governments failed to match the US commitment to real competition, the US would be unable to continue its pro-competitive policies in international sviation, he said. "The result will inevitably be s return to the protectionism of

## AT&T in | Seeking a glass breakthrough Chinese telecom project

AT&T has signed a partnership agreement worth \$500m over five years to belp develop advanced communications in the southern Chinese province of Guangdong. Reuter reports

from Hong Kong.
Under the deal with the Guangdong Province Posts and Telecommunications Administrative Burean and the Guangdong Machinery Import/Export Corporation, AT&T will provids network infrastructure equipment including advanced digital switching, optical transmission, wireless and operations systems.

The US telecommunications group will also establish s echnical support centre in Guangzhou and will provide training for local managers

AT&T said it expected to receive over \$150m in orders this year from GPTB for its 5ESS-2000 switching, synchronous digital hisrarchy transmission, digital cross-connect and operations systems and related equipment.

#### Southern Africa and EU plan trade pact

Foreign ministers of SADC the 11-nation Southern African Development Community which South Africa joined on Monday - will meet their European Union counterparts in Berlin next week to set out s formal hasis for trade and co-operation, the German ambassador to South Africa, Mr Hans-Christian Ueberschaer, said yesterday, Reuter reports from Cape

Michiyo Nakamoto reflects on a US-Japanese trade dispute warebousa of Matsumoto Avante, a Japanese glass wholesaler based in Tokyo, is not the

kind of place normally to be associated with trade friction Mstsumoto is typical of small Japanese wholesale businesses, employing about 150 people and trying to make best

The Japanese flat glass market, which has come under pressure in the past few years during the prolonged recession, is dominated by three manufacturers - Asahi Glass

Trilateral batances (exports as % of total domestic production, 1991)

Trade in flat glass

Central Glass and Nippon

Mitsubishi group, is 4.9 per

group, with more than 11 per

significant market breeds anti-

Asahi, which belongs to the

US 0.6%

Sheet Glass.

the construction and sutomobils industries.

Prospects for an agreement.

The dispute over flat gla has all the ingredients of s classic US-Jspan trade row. The US accuses Japan of baving a an anti-competitive market dominated by s handful of large domestic makers.

It says that there is a convo-luted distribution system that relies on close relationships between husinessmen with stakes in the industry and others, and that this system makes the market inaccessible to foreign players.

The Japanese government competitive practices and cre-has responded with a promise ates a barrier to free market to take action to make life easier for ontsids pro-

salers depends in part on the outcome of a US-Japan trade dispute over the flat glass market, which threatens to trigger sanctions against Japan and could change the way companies such as Matsumoto have done business for

Flat glass is used mainly in

Japan faced each other this week in an effort to resolve the row. It is one of the more thorny disputes among several which the two sides hope to resolve shortly. The US has to decide whether or not to start procedures under its Super 301 trade legislation against Japan.

however, remain slim.

ducers At stake is a market worth nearly Y3bn (\$30m) in domestic sales a year, sccording to Japan's Ministry of International Trade and Industry.

acturer and user. The future of such small

between the US and Japan.

of modest floor apace in a

country where property is

expensive. Matsumoto, like

other glass wholesalers, is the

intermediary between manu-

Negotiators from the US and

cent owned by Mitsubishi Bank and 4.7 per cent by Mit-snhishi Trust. Nippon Sheet Glass, a member of the Sumitomo group of companies, is 6.8 per cent owned hy Sumitomo Trust, 5.4 per cent by Sumi-tomo Life Insurance and 4.9 per cent by Sumitomo Bank. Central Glass, meanwhile, has close relations with the Mitsui

> cent of its shares owned by Mitsui-related companies. The US claims that a close-knit group controlling a

Y5bn worth of flat glass from the US while it exported only Y1.6bn in return. The amount of flat glass per capita that is

imported into Japan is 1.5

times higher in Japan than in the US. Foreign glass

ates a barrier to free market

forces. It frustrates the ambi-

tions of foreign makers looking

to expand their business in

Japan. The Japanese trade

ministry counters, saving the

might seem. In fact, Japan has

a small trade deficit with the

US in flat glass products.

Manfucturers in Japan, the

US and the European Union

produce primarily for their

Last year, Japan imported

domestic markets.

accounted for 12.8 per cent of Japan's overall glass consumption in 1991, compared with 4.9 per cent in the US market, and 17.4 per cent in the EU. The trade ministry also objects to claims of anticompetitive activity, citing an investigation by the Japanese Fair Trade Commission in

June last year which, it says, found no evidence of breach of anti-monopoly laws.

A more recent Japanese gov-

keep it in stock. We can't use it for specific contracts because delivery times are too long." Foreign companies have to make an effort if they want to

increase penetration of the

ernment survey of flat glass

wbolesalers, conducted last

December, found that the

industry distribution system

was dominated by small whole-

salers which have limited

warebouse and glass-cutting capacity, and little interest in

handling foreign-made glass.

The wholesalers said they

found foreign imports uncom-

petitive in quality, delivery

times and product reliability.
"We huy foreign product."

said a representative of Matsu-

moto Avante, "but we do so to

EU 2.9% Other 5.7%

Japanese market, Miti says. The US companies looking to increase their share of the market have only s handful of representatives in Japan, says one Miti official. If they can get the kind of market share they already have with so little marketing effort, they must consider themselves to be doing very well. But if they want to compete with Japanese sales forces numbered in the thousands, they have to try harder,

## **UAE** clampdown clears shops of pirate videos

Shops in the United Arab Emirates pulled pirated videos and dassettes off the shelves to abide by the UAE'a first copyright law which took effect yesterday, Renter reports from

Merchants selling fake cassette tapes, videos and software had until yesterday to abide by the law which says ther must sell or rent only copyrighted products. Goods whith do not have proper copyright certificates must be

rom the first (of the month) onwards we can send out inspectors to look for these kinds of irregularities...for copyright violations," a Dubai Department of Economy offi-

Penalties include confiscation of goods, jail terms and fines of up to 10,000 dirhams

One Ministry of Information official said inspectors had been sent out to check that shops were not selling pirated goods but he did not say how many were visited.

The UAE in March became a member of the General Agreement on Tariffs and Trade, which has provisions to prevent the sale and trada of counterfeit goods.

It has also came under pressure from its western trading partners to protect trademarks and patents. The US estimates lost revenue of \$156m a year in the UAE due to copyright vio-

One video shop worker. Ali Haider, said ministry inspectors visited the shop with a warning when the law was promulgated in March. Shops were given a grace period until

"Unfortunately we removed all the English films from the racks and are selling only Hindi films," he said, adding they were stored in a back room but they might be re-ex-

One worker at a major supermarket in Abu Dhabi said the store re-exported more than 100,000 tanes for which it did not own copyrights. He said they were currently displaying only seven original titles but

more were expected next week. "This is the last day you can buy the fake ones...at 15 dir-hams (\$4). The originals are 50 dirhams (\$14)," he said.

At another branch of the sama supermarket a supervisorsaid officials cleared the shop of 50,000 dirhams (\$14,000) worth of videos on Wednesda in preparation for the new law. It is intended to prevent unauthorised reproduction of works of literature, art, films, video and audio tapes and soft-

Jums Nahooda, Duhai's Chamber of Commerce president, said in a statement on Wednesday that the UAE would start implementing Gatt articles yesterday to coincide with the copyright law.

## help is given, rainforests are soil is exhausted

being destroyed at the rate of thousands of trees a minute, how can planting just a handful of seedlings make a difference?

A WWF - World Wide Fund For Nature tree nurscry addresses some of the problems facing people that can force them to chop down trees.

Where hunger or poverty is the underlying cause of deforestation, we can provide fruit trees.

The villagers of Mugunga, Zaire, for example, eat papaya and mangoes from WWF trees. And rather than having to sell timber to buy other food, they can now sell the surplus fruit their nursery produces.

Where trees are chopped down for firewood, WWF and the local people can protect them by planting fast-growing varieties to form a renewable fuel source.

This is particularly valuable in the Impenetrable Forest, Uganda, where indigenous hardwoods take two hundred years to mature. The Markhamia lotea trees planted by WWF and local villages can be harvested within five or six years of planting.

Where trees are chopped down to be used for construction, as in Panama and Pakistan, we supply other species that are fast-growing and easily replaced. These tree nurseries are just part of the work we

do with the people of the tropical forests. WWF sponsors students from developing countries

on an agroforestry course at UPAZ University in Costa Rica, where WWF provides technical advice on growing vegetable and grain crops.

very quickly by "slash and burn" farming methods. New tracts of tropical forest would then have to be cleared every two or three years.

This unnecessary destruction can be prevented by combining modern techniques with traditional practices so that the same plot of land can be used to produce crops over and over again.

In La Planada, Colombia, our experimental farm demonstrates how these techniques can be used to grow a family's food on a small four hectare plot. (Instead of clearing the usual ten hectares of forest.)

WWF fieldworkers are now involved in over 100 tropical forest projects in 45 countries around the world.

The idea behind all of this work is that the use of natural resources should be sustainable.

WWF is calling for the rate of deforestation in the tropics to be halved by 1995, and for there to be no nct deforestation by the end of the century.

Write to the Membership Officer at the address below to find out how you can help us ensure that this generation does not continue to steal nature's capital from the next. It could be with a douation, or, appropriately enough, a legacy.



WWF World Wide Fund For Nature

International Sccretariat, 1196 Gland, Switzerland.

## Peril of fragmentation over free trade pacts David Pilling finds a UN economist warning

Latin America against forming 'fortresses'

gtin America must not allow the web of free the region to fragment into "four or five fortresses", but should strive for greater inte-gration, the UN Economic Commission for Latin America and the Caribbean urges.

Bilateral and multilateral accords, now numbering more than 30, could "merge into one great bloc or, on the downside, divide the region." Mr Gert Rosenthal, commission executive secretary, said in an inter-

As well as 22 bilateral accords, several sub-regional pacts have been formed recently, including the tripartite North American Free Trade Agreement of the US, Canada and Mexico; the Mercosur customs union of Argentina, Brazil, Paraguay and Uruguay; and the Group of Three made up of Mexico, Colombia

and Venezuela. Blocs are also emerging in Ceotral America and the Carib-

bean basin. Mr Rosenthal said there was a danger that the outbreak of such accords was merely redirecting trade rather than creating it. Regional trade had "spectacularly" grown exports within the region have increased at 50 per cent a year since 1990 - but it was very difficult to pinpoint cause and

'We don't know how much of [the increasing trade] is due to the existence of preferential treatment, how much is due to the indirect effect of business communities becoming aware of cach other, or how much would have happened anyway in the absence of a trade

What seemed certain was that nations on the margins of free trade pacts - such as Caribbean states in the case of Nafta - were likely to lose out, both in terms of trade and of

investment, he said. Even Brazil, Latin America's argest economy, had claimed that preferential agreements within Nafta, particularly those pertaining to capital goods, had resulted in lost trade worth hundreds of mil-lions of dollars.

Multiple pacts had also created an administrative bureancracy that militated against efficient commerce, Mr Rosenthal said. Tariffs on the same product could vary enormonsly, depending on the country of origin and the stage of a given treaty, most of which phased in preferential

r Rosenthal was not seeking to call a halt L to the process. "What we're saying is: Why don't you proceed with these trade agreements in such a way as to minimise the risks of trade deviation and maximise potential of trade

Governments could move in this direction by standardising trade agreements, using Gatt rules as their starting point, and by broadening the range of goods covered by pacts. Nations should join existing accords rather than form bilateral alliances. "It is ridiculous that there are 22 bilateral trade agreements. We would like to see them multilateralised as

quickly as possible." In this respect, Mr Rosenthal thought Cblle should join Nafta, rather than sign a separate sccord with the US. He also supported Chile's initia-

member of Mercosur.
"I would like to see Chile taking on both commitments simultaneously," he said. "Conceptually, they are not saying they are going to join Nafta but turn their back on the rest of the region. They are trying to do in practice what we are preaching - that is to take on

multiple commitments On the positive side, Mr Rosenthal thought that Latin American governments, nearly all civilian and democratically elected, shared s political vision of closer integration. "There is a more favourable environment for actually doing these things. There was a lot more rhetoric 10 or 15 years

The concept of integration, in the 1960s driven by notions of import substitution, has now shifted to free-market terrain "Governments are trying to rediscover the meaning of international integration in a

more open trading system." But the danger of economic fortresses and continental fragmentation still existed. One possibility – "not necessarily desirable" - was that political realities in the US would halt the expansion of Nafta and that Brazil's proposal for a South American free-trade area wonld take off. "Maybe, by 2000, you will have a fairly solid regional bloc in South America and another in North

"It is too early to tell where all this will lead," Mr Rosenthal said. "It could have a hsppy ending. On the other hand, the eoding may be more

FOR THE SAKE OF THE CHILDREN WE GAVE THEM A NURSERY.



By Philip Coggan, Economics Correspondent

Britain's economic recovery bad an unexpected side effect last year - it reduced overseas earnings from the financial services sector.

Overseas earnings from activities such as banking, insurance and share dealing fell to £15.6bn in 1993 from £16.1bn in 1992, according to figures released by British Invisibles, a trade

The main reason for the fall was an improved performance by overseas banks based in London. During the recession, bad debt problems caused many banks based to the UK to record

recovery in Britain meant bad debt problems were reduced. Along with improved profits from securities dealing, this meant overseas banks could report and remit surpluses to parent companies. These count as a negative item on Britain's account

The result was that the UK's income from direct investment, which recorded a surplus of £1.14bn in 1992, registered a deficit of £1.66bn in 1993. The decline in earnings from direct

investment was partly offset by two improvements in the financial services accounts. Strong capital markets meant net overseas earnings of UK securities dealers rose to £3.47bn in 1993, from £2.53bn in 1992.

small £76m surplus in 1993. Such figures for Lloyd's are calculated on a cashflow basis, rather than on the traditional basis, under which results are

not announced for three years. British invisibles splits the overall figures for financial services earnings into two components: services (including fees, commissions, insurance and share dealing profits); and investment income (including portfolio investment by pension funds and direct invest-

While net earnings from services increased from £8.35bn in 1992 to 59.36bn to 1993, earnings from invest-

Secondly, underwriting at Lloyd's of London, the insurance market, having recorded losses in 1990-1992, managed a Meanwhile, the patchy nature of Britain's recovery in consumer senti-ment in the aftermath of April's tax

increases was highlighted yesterday. New credit data showed lending in the retail and new car loans sector weaker than expected in July, while home loans fell back sharply compared

to a year ago.

Lending in finance houses remained relatively strong suggesting that con-sumers took advantage of heavy discounting in the summer sales.

The report, by Infolink, the independent credit group, showed credit in the retail sector 6.7 per cent higher in July

**Britain** in brief

#### Man held in shooting of accountant

One man was being held in Istanbul prison yesterday and an arrest warrant had been connection with the shooting last month of a UK accountant working for Coopers & Lybrand, the court appointed administrators of Polly Peck International, the UK fruit to

electronics group. Islam Khna was being held at Bayrampasa prison under a court order pending trial related to the shooting of Mir David Adams, who received five gunshot wounds to the

leg.
Mr Eima, 21, reportedly told
police he had mistaken Mr
Adams for Mr Chris Howells the accountant directly involved in trying to reco the local PPI assets now in dispute with the former PP1 chairman Mr Asli Nadir.

Last night, lawyers working for the administrators had still to be provided with copies of the court proceedings. But local newspapers reported Mr Elma and two others had be offered TL250m (£5,000) and shares in Vestel Electronik, PPTs listed Istanbul consume electronics subsidiary, to

shoot the Coopers accounts Mr Elma is said to have confessed to the attack a being apprehended in the act of another shooting, according to the newspaper reports.

#### ABB to shed jobs in York

**ABB Transportation's York** train and tram-building works is to shed 289 jobs, the company said yesterday. The redundancies follow

shortage of orders at the ni which has no work beyond October next year. ABB Transportation, part of Asea Brown Boveri, said it

could see a long term future but was facing a short-term crisis. Mr Bo Södersten. managing director and chief; executive, said it was essential that new orders were won .

Mr Bill Beaman, the plant's engineering and electrical union convenor, said redundancies had been expected, but not so many.

ABB said it was chasing orders under the government's private finance initiative.

#### Euro-post for Labour chief

Mr Tony Blair, leader of Britain's opposition Labour that he is to replace the party's long-standing general secretary Mr Larry Whitty. Mr Whitty, who has held the post for nine years, will be moved to the newly-created position of European responsibility for liaising with the party'e Euro-MPs.

The appointment will give Mr Blair the opportunity to get a candidate of his choice installed as head of the party's organisation as part of a wider shake-up at the party's Walworth Road headquarters.

British Airways cahin crew in Manchester and Birmingham have voted for strike action in a dispute over holidays and

Three-quarters of the 565 cabin crew members of the TGWU transport union eturned their papers to the ballot. Of those, 88 per cent supported strike action. Meetings are to be held early

Meanwhile talks are continuing in an effort to resolve a pay dispute at

## **Progress over** fifth television channel for UK

By Raymond Snoddy

Britain's Independent Television Commission hopes to announce within the next two weeks the go ahead for a fifth national TV channel. The final decision has to be

taken by the members of the Commission but there are growing signs that the new channel is likely to go abead and that, at least in theory, coverage could go as high as 70 per cent of the UK population. If the ITC decides to go ahead, the new channel would be advertised in November with bids expected to be submitted within two or three months. A similar period would then be needed to look at the plans submitted and choose a winner by April or May 1995.

The main work now being undertaken by the Commission is to try to win permission to channel to take it beyond a minimum guaranteed coverage of around 52 per cent of the population.

There seems to be growing interest in bidding for the channel, particularly from the US and Canada, even though

some of the potentially available frequencies have been reserved for the future development of digital terrestrial tele-vision in the UK. As well as launching a fifth channel using existing technology 12 new digital terrestrial channels would

The ITC is now believed to be looking at having bidders present business plans covering the main possibilities around 50 per cent coverage, 60 per cent and 70 per cent coverage. This will enable the work on the channel to go ahead while the ITC seeks permission. to use the maximum number of frequencies. This involves getting permission from neighbouring governments, particularly the Irish Government. A winner could be chosen

but the licence not actually awarded until the maximum possible coverage is known. Those who have expressed interest in the channel range from NBC, and other 'US' networks to Mr Richard Branson's Virgin Group and a consortium bringing together Time Warner of the US, MAI the UK television and financial services group and Pearson, owners of

the Financial Times.

## Names rap Lloyd's figures

Lloyd's of London has come under fire from a previously supportive group of Names for allegedly overstating the problems at the insurance market. The Association of Lloyd'e Members claims in its newsletter, published today, that Lloyd's solvency rules "appear to exaggerate solvency deficiencies and minimise allow-

ances for potential profits". Solvency rules govern the amount of capital which Names, the individuals whose assets support Lloyd's, must deposit with the market.

The association says Lloyd's could be double-counting up to £2bn in losses from claims on

(which cover agents against negligence awards) and catastrophe reinsurance, and suggests Names are being asked unnecessarily for the money. "These anomalies will prevent otherwise solvent Names

from continuing to underwrite..and alarm unneces ily Names who have ceased to trade. in part they represent fictitious losses which do not exist and will never have to be paid," says an article headed

aly."
Mr David Rowland, Lloyd's chairman, rejected the allegation, saying it mis-states the true position and holds ont

expected gross premium income to rise to £8.72bm in ance market after an absence managed by Hiscox, e promi new insurance facility through

false hopes to many members.

1994 from £8.61bn last year, according to information in its first quarterly business report. mwhile Lloyd's is to reenter the export credit insurof over 70 years. Syndicate 33. nent agent, yesterday announced that it is to lead a the Lloyd's market which will offer short-term cover against the insolvency or default of trade debtors.

Insurers at Lloyd's have been barred from underwriting risk for the private-sector mar ket since the early 1920s.

## British Gas restraint lifted

British Gas was freed yesterday from regulatory restraints which have allowed its competitors to carve out an 84 per cent share of the lucra-tive £1.1bn a year market for large industrial customers.

Ofgas, the gas industry regulator, decided to suspend the requirement that British Gas sell to large industrial and commercial customers using 25,000 therms a year or more according to published, non-discriminatory price schedules. The suspension will run for

six months from October 1 during which time Ofeas will review the entire gas contract market above 2,500 therms. The requirement lifted yesterday was imposed in 1989 as

part of the government's efforts to introduce competition into the gas market. Independent gas companies; operating with minimal overheads and using British Gas pipelines, were quickly able to carve out a large market share by offering discounts of 10 per cent-20 per cent below the Brit-ish Gas prices. Organ said the suspension depended upon British Gas maintaining a "non-discriminatory" pricing policy. It said evidence of the company selling gas at "broadly below cost," or using predatory pricing to regain market share could see a reimposition of price schedules. Mr Norman Ellis, managing

director of Kinetica, a joint venture between PowerGen and the US oil company Con-oco, said Ofgas was "short-sighted" for allow British Gas to compete freely in the firm commercial market while independents are still barred from

## inquiry report is delayed

By John Mason,

The publication of Lord Justice Scott's report into the sale of defence equipment to Iraq has been delayed until early next year, it was announced yesterday.

The need to gather and

assess additional evidence has meant the postponing of the report's release, originally scheduled for this autumn, a statement from the inquiry team said yesterday. Lord Justice Scott has also

decided to question two witnesses from the Secret intelli-gence Service or MI6, it was One of the witnesses is a serving MI6 officer, the other a former officer with the ser-

vice. The judge's decision to question them face to face fol-lows extensive recent requests to both witnesses to supply further written evidence. These requests followed evidence given to the inquiry by other witnesses about the role played by M16 when defence-related equipment was exported to Iraq.

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The two witnesses will be questioned about MI6's involvement in the consideretion of granting export licences for defence equipment - in particular those awarded to Mairix Churchill, the Midlands engineering company, for the export of "dual-use"

machine tools.

The two MI6 witnesses will give evidence in closed sessions later this month. The exact dates have not been released "for reasons of national security and for the personal safety of the officers concerned", said the state-

ment. Inquiry secretary Mr Chris-topher Muttukumaru said: "Lord Justice Scott has already written a large part of the report and continues to write while the investigative

work goes on. Requests for evidence and for information are still being sent out. The need to gather and assess additional evidence has inevitably extended the timetable.

"The judge hopes to have completed the draft by the end of the year and he will then give witnesses whom he proposes to criticise an opportu-uity to comment before the

## Iraq arms | Competition cuts cost of calls

BT is being forced to limit its prices, writes Andrew Adonis

getting steadily cheaper to use, particularly for business callers who clock up long distance and international minutes. And prices are set to fall further as regulation and

competition continue to bite. This week's price cuts from BT mean that UK long-distance calls are barely a third of the cost a decade ago, allowing for inflation. From the end of this month a three-minute weekday morning call from London to Hereford will cost 30p. In-January this year it was 50p.

Not all prices have come down. Line rental charges have risen by 10 per cent in real terms over the past decade, and will continue rising. Oftel, the telecoms reguletor. supports BT's efforts to reduce its deficit on maintaining basic line connections.

But it has forced the company to bring its call charges down sharply, reflecting the falling cost of delivering calls as new technology slashes overheads. Oftel's price cap obliges BT to reduce its total charges by 7.5 per cent a year, once an increase for inflation has been allowed for.

In round figures that equals price cuts worth £500m, with £100m recouped from a 2 per cent real-terms increase in line rental charges. BT is free to

rental charges. Bt is free to target the cuts as it chooses.

Mr Michael Hepher, BT's managing director, says three factors determine its price-cutting strategy. Ideally, cuts will stimulate usage, they ought to give BT "the most competition"; and they should

T t is not just British "do something to sparkle the magnation".

The abolition of the morning

peak rate earlier this year met the last two criteria. This week's abolition of the higher long-distance rate at a cost of £244m over a full year, was firmly directed at the first and competition in the business

Mercury, BT's main competitor, has a quarter of the large business market and about two-thirds of the City of London's outgoing traffic. But it is increasingly hampered by BT's falling prices on one hand, and by new entrants pursuing its larger customers on the other.

The price gap between BT and Mercury is steadily parrowing in the business market (see graph). For many large businesses the saving is down to 6 per cent or less for

UK traffic.
Mr Terry Rhodes, Mercury's competition director, says his company has to break out of the "BT-but-cheaper" syndrome. He believes the message still has strong appeal to small and medium-sized businesses - those with annual telecoms bills under £150,000. But Mercury's efforts are shifting to building "brand loyalty" through added-value business servicee such as

network management and improved data telecoms links. A host of new operators has moved into the City, the UK's telecoms honeypot, and targetting Mercury first and

foremost.

The most successful to date appears to be Worldcom, a US group which set up in London in 1991. Worldcom re-sells customers with usage bills of business users.

# Average majori cost per the for a 25 line himbres circles

1500 1963 84 85 86 67 86 89 90 91 92 93 94 Mar. Source Anglesia

boasts 250 business customers, and claims to have cornered is being built out to Southwark nearly 3 per cent of the UK's and Westminster. outgoing international telecoms traffic. "Our marketing is based on 10 to 15 per cent off Mercury'e best business price," says Mr David Hardwick, managing director. Worldcom is also about to enter the small and medium-size business market, and plans to offer a long-distance UK service in addition to its international service, inter-connecting to existing long-dietance

networks. MFS, another US group, is already active in the UK long-distance bueinese. Launched in March this year, MFS offers free line rental to

international lines to big 2600 or more per line per year. business at a discount. It lits fibre network covers most of the City and Docklands, and The company is considering

a plan to extend the network to the Thamas Valley, putting MFS within reach of 35 per cent of the UK's large telecoms Long-distance telecoms

capacity is now abundant, giving plenty of scope for re-sellers to expand. In addition to BT and Marcury. Energis, a subsidiary of the National Grid which has erected a long-distance network on electricity pylons, is opening for business. The regional electricity companies covering Yorkshire and Manchester are building their own networks, and targeting

#### **BA** staff in strike vote

## Littlewoods sign £14m deal for FA Cup

By Neil Buckley

Littlewoods Pools yesterday became the first sponsor of the 123-year old English Football Association Cup, in a deal worth £14m.

Together with investment in support activities, Littlewoods is committing a total of £20m over four years - the biggest-ever sports sponsorship package. It will have its name attached not only to the prestigious FA Cup, but to the FA Charity Shield - for which the previous season'e cup winners and league champions play at the start of each season. The FA Cup will not be renamed after

the company, but will be known as the

"FA Cup, sponsored by Littlewoods". The Charity Shield will be known as the "Littlewoods Pools FA Charity Shield

The FA launched a marketing pro-gramme in June combining the com-mercial rights of the FA and Wembley Stadium, called Total Football. This consisting of a number of sponsorship packages, capable of accommodating up

to 12 companies.
Companies joining the programme were given the opportunity to upgrade their package to become "presenting sponsor" of the FA Cup. The FA selected Littlewoods as the "ideal candi-

Mr Trevor Philips, the FA's commercial director, said the decision to seek sponsorship of the cup "was not taken

lightly". "It would only have happened with the right company. I cannot think of a company that is a more integral part of football, and certainly none has made a greater financial contribution."

Littlewoods, the family-owned foothall pools and retailing business, has previously sponsored the League Cup, now sponsored by Coca-Cola.

Mr Barry Dale, Littlewoods group chief executive, said there was a "clear and mutually beneficial link" between Littlewoods and football.

Littlewoods Pools' move is partly an attempt to bolster its position in the face of competition from the National Lottery, due to be launched later this

"Sponsoring the Cup will enable us to harness the benefits of our overall investments in football in promoting our business in these more competitive times," Mr Dale said.
The deal is also a boost for the FA.

whose finances have been strained by England's failure to qualify for this year's World Cup finals, and two years without competitive matches before hosting the 1996 European Champion-

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By Tim Coone in Dublin

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A Topic Comments

Carles Sand

The IRA ceasefire has injected a mood of cautious optimism into Northern Ireland's husiness community, but has also triggered warnings that economic support to the province must be maintained to underpin the hopedfor peace.

Business leaders and economists in Belfast estimate that a lasting peace could bring between 15,000 and 30,000 new jobs to the province over the next five years, but this would be partially offset by joh losses in security-related

One other benefit from a peace settlement, mentioned by a number of business executives yesterday, would be that companies would find it easier to attract senior managers to the

Mr Nigel Smyth, tha director of the Confederation of British Industry (Northern Ireland), said if the ceasefire proved to be permanent, "there

will be a lot of husiness opportunities

in the medium and long term". Ha thought job growth through inward investment would quadruple, from about 500 per year to 2,000 over a two-to-three-year period, while an additional 10,000 jobs could be created in the tourist industry.

"On a per capita basis, tourist numbers here are presently a third of those in the republic and a quarter of those in Scotland," he

Mr Michael Smyth, an economist at the University of Ulster at Jordan-stown, said the CBI figures erred on the conservative side. Tourism contributes 1.5 per cent to GDP in the province, compared with 7 per cent in the republic, so catching up with the south could create 20,000-30,000 tour-ism jobs in Northern Ireland. Unemployment is currently 98,000 - 13.1 per cent of the workforce.

Stena Sealink, one of the main ferry operators across the Irish Sea to Bel-

Economy

fast and Larne, said interest in Ireland as a holiday destination had grown, "but interest is weighted very much towards the south because of the troubles in the north. Clearly, a permanent end to the violence would do no end of good."

The CBI said a climate of peace would allow manufacturing and service companies to focus their marketing on quality production. Mr Nigel Smyth said Northern Ireland businesses had one of the best records in Europe for quality awards, but that had been overshadowed by the prov-

ince's image problem.

The downside of the peace will be the inevitable cuts in the security forces and security-related industries. Reductions in policing levels and the prison population, and eased security in shops, offices and factories will mean less overtime, job losses, and less money going into the economy - the loss could be as much as £300m to

The more pessimistic forecasts envisage job losses in the region of 20,000, a figure calculated by Dr Graham Gudgin of the Northern Ireland Economic Research Council. He said that over four to five years the prov-ince's economy "will be lucky to break even on jobs". Mr Smyth of UUJ said the number of job losses was more likely to be around 10,000 to 12,000, but he admitted there could be further indirect losses

Mr Michael Smyth said the transition to a peacetime economy would have to be managed very carefully. The government would be "extremely foolish if it were to send any savings it made through an end to the violence straight back to the Treasury. Otherwise you could see a rise in unemployment rather than a

The CBI says any security-related savings and axchequer benefits

achieved through economic growth "should be redirected towards wealth creation and training".

The Department of Economic Development in Belfast acknowledged that there was a danger of short-term job losses. "But any change will not be a jolt hut gradual, and will be balanced by new jobs over a period. The eco-nomic development hudget is very substantial at £400m and is expected to remain that way."

It said the Treasury would decide whether additional resources through savings on security could be redirected towards economic develop-

Mr Clem Parkes, chief executive of CV Carpets which is based in the north-east of the province, said: 'It is always difficult to get managers and specialists that we cannot find here to relocate from Britain. That will become much easier. And our experience is thet when we do get them here they don't want to leave.



Republicans celebrate the start of the IRA ceasefire after midnight yesterday on the streets of west Belfast. Their banner tells British troops to 'Get out of my sight'

## takes a grip on Protestants

By William Lewis

Hoarding of goods had begun on the Shankili Road yesterday. Shops said that candles, gas lighters and basic foods were in demand all day as many Protestants made provision for a breakdown in law and order.

"The siege mentality is taking hold down here," one shopkeeper said. "I'm calling it the peace dividend."

Fear was evident yesterday in the Shankill Road and other working-class unionist atrongholds - fear that the IRA ceasefire followed concessions made by the British government and fear that the IRA will not hand over its guns, enabling the violence to con-

The talk along the Shankill yesterday was of a civil war in Ulster being "the obvious out-come" if the British government has traded in the union-

ist veto for the IRA ceasefire. People have reacted very badly," said Mr Bob Stoker, an Ulster Unionist party activist who lives near Sandy Row, another Protestant area.

"They bave not taken It calmly at all. There has been a great run on food stores and people bave sold out of gas cookers, candles and paraffin lamps," he said.

"People are prepared to wait and see for a short while hut while they do so they are getting prepared." Mr Stoker said. "Ordinary people down bere will not be put in a situation where they can be starved into

Tension in Protestant areas of inner-city Belfast was heightened following a raid by the Royal Ulster Constabulary on two houses last night. According to the Rev Eric Smyth, a councillor for the hardline Democratic Uoionist party, the police smashed down the door of one house in spite of it being

Tempers are very high at the moment." he said. "The feeling is very bad." Mr Smyth suid concurns developed after part of yesterday's Sinn Féin celebration procession involving more than 50 cars, taunted and threw sticks at children playing in a Protestant area

## By Richard Lapper

Loyalists near to tha Catholic Falls Suspicion is also rife. The Rev Brian Moore, minister at the West Kirk Preshyterian

talked of disaster if concessions had been made by the British government.
"If that does emerge then that's another ball game altogether," he said. "That would be a very serious situation which we would find very diffi-

church on the Shankill Road,

cult to control." We have longed for peace But I suppose there is a suspicion in the community that there may be a hidden agenda with the government and the IRA, that a deal has been done." Mr Moore said there was "distillusionment with our political representatives," hut

"hopes loyalist paramilitaries will assist the peace process". Mr David Ervine, a leading member of the Progressive Unionist party, which is thought to have insight into the UVF, the loyalist paramilitary organisation, thinks that it will aid the peace pro-cess - but only when it is clear no deal has been done.

"If the government can assuage the fears of unionists I would expect an immediate be said. He believes this would involve a ceasefire announcement by the main loyalist terrorist groups. "If assurances are given the loyalist weapons will be laid down, and laid down quickly," Mr

Ervine said. Other unionists were willing to look on the bright side. Mr Michael McGimpsey, an Ulster Unionist party councillor in Belfast, believed assurances from the British government tbat no deals had been

Mr McGimpsey believed that the cul de sac argument may be the real reason the IRA called a ceasefire. "They may finally have realised that their tactics were not getting them anywhere," he said.

But he also warned: "If people believe the IRA hava stopped because thay have got something then we are in for vary difficult

## Siege mentality Bomb targets warned not to drop their guard

Insurers, hit by heavy claims from the IRA's mainland bombing campaign, yesterday welcomed this week's ceasefire but insisted that new arrangements for terrorism insurance and security precantions

should remain in place. Insurers have been hardest hit by tha two IRA bombs in tha City. Claims from the Baltic exchange bomh in April 1992 amounted to £300m, including about £100m for interruption to business. Claims from the Bishopsgate bomb, a year later, totalled £500m, with about £150m for business interruption. Losses from other smaller

Insurers

bombs amount to less than £10m, said Mr Tony Baker, deputy director-general of the Association of British Insurers. In Northern Ireland the government has paid more than £620m since the late 1960s to compensate property owners for damage. Losses rose to £50m in 1976-77 before falling

steadily to £15m in 1986-87, but the bill in 1991-92 was £33m.

After the London bombs insurers withdrew cover for terrorism from standard commercial policies. It is offered as a separate policy, with insur-ance companies covering their own exposures through Pool Re, a company owned hy the

insurance industry and backed

The decision by Pool Re to charge more to businesses in central London and other areas judged to be terrorist targets than those in less vulnerable areas caused considerable con-Mr Baker said these prob-

lems had been overcome by insurers reducing some expensive premiums in return for the installation or adoption of security precautions. Mr Baker said changes were not likely

for at least a year. Mr Baker argued for the maintenance of security, such as the restrictions of traffic in the City, and said there had to Media curbs

### Sinn Féin voice ban may soon be lifted

By David Owen

There were growing signs at Westminster yesterday that the government could sanction an early lifting of the broadcasting ban on the voices of Sinn Féin representatives if it was convinced the IRA had ended violence for good.

As both leading opposition parties said they would wel-come the lifting of restrictions, Mr Michael Mates, a former Northern Ireland minister. indicated that he too thought an ending of the ban would be helpful.

Mr Mates, Tory MP for Hampshire East, said he thought the move would be "high on the list" after the announcement of a permanent cessation of IRA

The only reason the voices of Sinn Fein, the IRA's politi-cal wing, were banned from the airwaves was because they supported violence, Mr Mates said. "If there is no violence, that stricture goes away." tively simple thing the govern-ment could do relatively soon but I think we will want one

or two signs yet."
Sir Patrick Mayhew, the Northern Ireland secretary, is one of a number of cabinet ministers known to favour an end to the ban on the grounds that it has become counterproductive and tends to expose the government to criticism.

But there are fears that such a move, if not handled sensitively, could provoke anger among unionists and unionist sympathisers on the Tory back

One prominent unionist supporter said yesterday that he did not think lifting the ban would provoke a strong reaction under the circumstances now prevailing.

But Mr David Trimble, the Ulster Unionist MP for Upper Bann, indicated that he did not think the time for lifting

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## Peace is still not guaranteed

Renewed threats of civil war made by Ulster'a loyalist paramilitaries provida a grim reminder that an end to violence by the IRA gives no guarantee of peace in the province. For, though the loyalists say they also want an end to 25 years of hloodshed, they believe that almost any deal on Ulster's future acceptable to republicans must undermine union interests.

Those interests, they warn, will be defended with a determination and military skill equal to anything shown by the IRA over the past 25 years. Those claims may be exaggerated, but their ultimata potential to wage war will

depend on the extent of support from a loyalist community feeling increasingly cornered. The fear, particularly in working-class areas, is that unionists - whatever the

assurances of Westminster are close to being sold out. The logic, in the minds of the loyalist paramilitaries, is that the IRA, with minimal support, has pushed its cause to the top of the political agenda using violence; if the strategy has worked for them then, the argument goes, it will work to protect the majority loyal to

Ministers and politicians on all sides will have to work hard to set minds at rest and convince the unionist community

negotiating table, it will do so on the basis of the Downing Street declaration alone and any agreement will fully safe-Most unionists have no more

guard the union's future. time for the loyalist gunmen than they have for the IRA but that could change if, in the

Most unionists

have no more time for the loyalist gunmen than they have for the IRA, but that could change if the sands appear to be shifting under

weeks ahead, the sands appear to be shifting under Ulster's position in the UK.

Ulster's position

Unionist politicians will play critical role in determining the level of support a nervous community might offer extremists. None of them condone violence but, in recent months, there have been some attempts to rationalise paramilitaries' actions in the face of the "republican threat".

Paramilitaries

Loyalist extremists believe they are well-placed to exploit new uncertainties and old anxieties, and say they are able to launch a counter-offensive which will render unworkable any political accommodation with the republicans. With loyalist action against the IRA and Sinn Féin cited as

a reason behind the switch in republican strategy, renewed attempts to draw the IRA back into armed conflict can he The illegal Ulster Defeoce

Association, the largest loyalist paramilitary organisation, which mounts attacks in the name of the Ulster Freedom Fighters, has traditionally portrayed itself as intent upon reacting only to IRA atrocities. But since the start of this

year, the UDA claims it has tried to preserve the union. Failing that, the organisation which said it would ignore the ceasefire - wants to create an independent northern Ireland. After the three-day IRA

ceasefire earlier this year, the UDA warned it could extend activities to the Irish republic unless constitutional claims to the north were dropped. Even if they were, an end to UDA violence would depend on other elements of any deal.

But for some years the UDA has not attracted the same levels of support it enjoyed in the early 1970s. In 1974, it helped

that ended power-sharing in the province: thet sort of influence and authority has gone. The Ulster Volunteer Force, also proscribed, has been

responsible for some vicious sectarian murders. "The trouble is they just like killing Catholics," says one senior security officer. The actions of loyalists have shown they have little to learn

from the IRA. This year, they have been responsible for a murder-rate almost double that of the IRA. The Catholic community is regarded as a legitimate target and the murderous campaign is designed not only to spread

fear, but to demonstrate the

loyalist capacity - in organisation and weaponry - to kill. Security services do not underestimate that threat but say loyalist extremists are not generally as well-armed as the IRA, are more loosely organised and are more prone to infiltration. If the IRA remains

resources to the lovalists. Tha recognised danger is that politicians, in a search to embrace old enemies, could supply fresb ammunition to loyalist extremists.

dormant, the Royal Ulster Con-

stabulary hopes to direct more

As one Ulster politician recently remarked, it is no longer impossible to envisage them taking up arms against the very state to which they express unswerving allegiance. Advances in surgery mean many eye problems are now treatable, writes Andrew Derrington

## A vision for the future

**T**he idea of surgeons manipulating the shape of the eye to correct faulty vision would have been unthinkable to most people a few years ago. But today - with the help of laser incisions, special materials and new techniques - defective eyesight can be improved with a surgical precision that only the

latest technology can provide.

For many, this means a visit to the optician for a new pair of spectacles or contact lenses will no longer be necessary, or not so often. Surgeons can break up the lenses of patients with poor vision and replace them with artificial ones. The profile of the cornea can be altered and tests are being carried out on injectable lenses made of

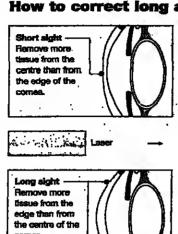
One of the most common eye defects, especially in old people, is the cataract in which the lens becomes clouded. It is more common in old people and affects 80 per cent of over 80s in the UK. according to Arthur Steele, a surgeon at Moorfields Eye Hospital. The causes are unknown, but exposure to ultraviolet light and poor diet may be

important.

To restore the vision of an eye with a cataract, the cloudy lens must be removed and may be replaced by a plastic implant. But early implants caused problems. The Perspex (PMMA) lenses were large and beavy. A long incision, weakening the eye and changing its shape as it beals, is needed to insert them and their weight makes them tend to move around. Cells tend to stick to the PMMA lenses, making the implant cloudy and the implant is rigid, so the eye cannot accommodate (focus) on near objects.

Yet all these problems, except the lack of accommodation, have been solved by advances in equipment and techniques. The first step towards reducing incision size was to break the lens up before extracting it. The problem was to hit the lens hard enough, without damaging anything else inside the eye. In the technique known as phacoemulsification, a vibrating ultrasonic probe breaks the iens up and

removes it by suction. The latest instruments remove the lens through a 1.5mm incision. The problem, however, is that the implant replacing the lens has to pass through the incision and be big enough to sit snugly in the lens capsule holding it in the correct How to correct long and short sight



position inside the eye. Extracting the old lens through a pinhole is no use if the incision has to be enlarged to insert a big implant.

The development of foldable lenses alleviates this problem. PMMA is rigid, but small lenses can be made with folding extensions (haptics). After insertion the hap-tics are unfolded to keep the lens in the centre of the capsule. These enses can be inserted through a 5mm incision.

Even more advanced are lenses that can "remember" their unfolded shape, and resume it after insertion. Made of newer plastics, such as sili-

even smaller incisions. Lens insertions through incisions as small as 1.5 mm have been reported. But and need to be carefully evaluated. One potential problem is that silicone lenses may unfold violently

New lens materials also have other advantages. Cells do not stick to them, so the lenses stay cleaner. Acrylic lenses can be made very thin, because the plastic has a high refractive index - it bends light sharply, allowing implants of very high optical quality to be designed. However, even the latest implants cannot change focus. In the normal sion and flattens the lens by squeez ing it. The eye focuses on near objects by relaxing the capsule, allowing the lens to curve.

Researchers in several countries are searching for a substance that will form a lens that fills the capcorrects the focus of the eye and is elastic enough to permit accommodation, or close-up focus-

Yet even without accommodation, vision with a rigid implant can be improved by a new technique. The profile of the cornea is measured before surgery and the size and shape of the surgical incision are

#### eve, the lens cansule is under ten-Towards a cure for blindness

Tork on a protein that stimulates blood vessel formation may lead to a drug to prevent blindness. The protein, vascular endothelial growth factor controls the laying down of blood vessels during normal devel-

VEGF may also cause abnormal blood vessei proliferation in diabetic retinopathy, the commonest cause of blindness in the UK workforce. The abnormal blood vessels prevent light reaching the sensitive part of the eye and are fragile, often causing further damage by bleeding. The British Diabetic Association estimates this type of blindness affects between 7,000 and 14,000 people in the UK annually. With early detection, laser treatment is possible in 70 per cent of

The hope of a drug treatment rests on three sets of results from researchers in Israel, Australia and the US. The Israeli team first identified VEGF and developed sensitive tests for it while working on ways of preventing the blood vessel formation (and bence growth) in

They then showed, in collaboration with Jonathan Stone of Sydney University, that VEGF is the protein that regulates the formation of blood vessels in the developing rat

The third piece of the jigsaw is that high levels of VEGF are found in the eyes of patients with preliferative diabetic retinopathy.

The next step is to develop a drug that inhibits the production of VEGF, and to test if it prevents the unwanted proliferation of blood vessels in the retina.

According to Stone: "Much is known about the genie and the pro-tein and the possibility of specific inhibitors is real."

cisely calculated degree of astigma tism (difference in focus for lines of

According to Julian Stevens, a London eye surgeon who uses a computer-controlled laser to make the incisions, the desired astigmatism leaves the cornea slightly more curved in the vertical direction than in the horizontal direction. The subjective effect is that clear vision is obtained except for the very closest

For patients with simpler vision problems surgeons can also modify the profile of the cornea, avoiding the need for spectacles or contact es. The profile must be made flatter to correct myopia (short sight) or more curved to correct hypermetropia (long sight).

One such method is radial keratotomy, in which a star-shaped incision flattens the cornea. The success of this technique is highly dependent on the surgeon's skill. A newer, and rapidly evolving technique - entirely driven by technological changes, many derived from military applications - is photorefractive keratectomy (PRK). A computer-controlled laser etches tissue from tha corneal surface to change its shape. PRK is an area of extremely rapid development. Com-panies in the US, Europe, Japan and Russia are developing more flexible ways of controlling the lasers so that problems requiring different patterns of tissue removal can be

produced by varying the amount of tissue removed from different parts of the surface. Long-sightedness can now be treated using a moving laser beam. The first results are available from a system which uses a moving slit, developed by Aeschulap-Meditech of

treated. The change in profile is

Germany. To correct hypermetropia with a scanning laser beam, the beam intensity or the number of pulses can be controlled to etch more tissue from the edge than from the centre, thus steepening tha corneal curvature. The approach can be extended, modifying the shape, intensity and number of pulses to produce any desired change in the comeal profile. Thus astigmatism and irregularities in the corneal surface can be corrected.

With such rapid advances in eye technology, patients will one day find a visit to the eye-surgeon as routine and beneficial as a trip to the high street optician.

#### Worth Watching · Vanessa Houlder



A purer way with

Few arid countries can justify the cost of using water purified through conventional desalination techniques for agriculture. Light Works, a London-based company spons by the EC, has addressed this blem by developing what it problem by developing warms believes is a cost-effective system for producing crops and pure water in hot coastal regions.

Its prototype greenhouse, which has been built on Tenerife, uses surplus heat to evaporate sea water, which is purified by being passed through a heat exchanger cooled by cold sea water. It yields sufficient surplus water to water the crops within the greenhouse and irrigate the immediate

Light Works: UK, tel 071 249 627; fax 071 254 0306

#### Locking out prying fingers

Valuable packages are usually locked to ensure they are not tampered with Encrypta Electronics, a UK security company, together with Harcor Security Seals of Australia, have developed a padlock that includes an electronic sealing system.

The Nanolock generates a our-digit random number on a built-in liquid crystal display every time the lock is closed. It also displays the length of time since the nadlock was closed: allowing the user to determine the precise time of an unauthorised entry.

Encrypta Electronic Seals: UK. tel 0633 265551; fax 0633 265667

#### PCs move into telephone sales

Power dialling equipment is widely used by selephone salesforces to trawl through a

database of numbers, logging successful calls and returning to numbers later if they are engaged. As a cheaper alternative to buying dedicated power-dialling equipment, Exepos Software Solutions, a UK software company, has launched a package called EasySpeak which allows personal computers to be used as power-diallers. The package, which runs on PCs using Windows software, costs £995. Exepos: UK, tel 0628 533143; fax

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#### Improved method to weld copper

Copper's ability to resist corrosion has made it one of the front-runners in the search to find a suitable material in which to store nuclear waste under ground The snag is that copper is difficult to weld because of its high thermal conductivity.

The Welding Institute, a

Cambridge-based research group which is working on a prototype copper canister for the Swedish Nuclear Fuel & Waste Management Company, believes the solution lies with the use of reduced pressure electron beam welding. It uses a 100kW electron beam, which is sufficiently intense to penetrate the 50mm-thick copper canister. The steel-lined canisters produced by this process are expected to last more than 100,000 years. The Welding Institute: UK, tel -

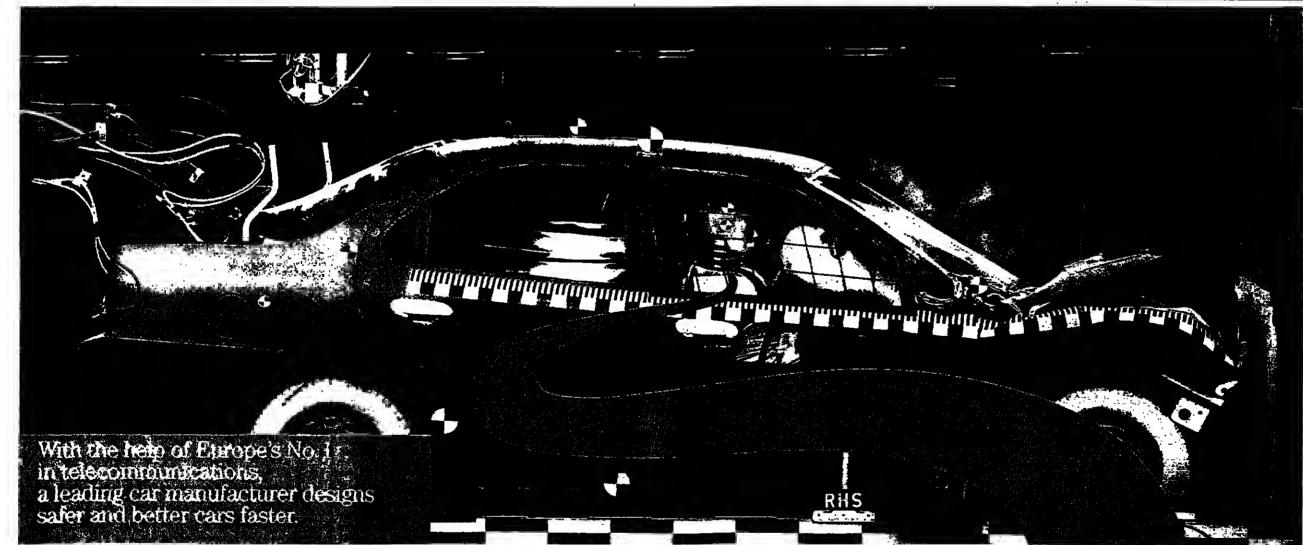
#### Cancer cells under the microscope

0223 891162; fax 0223 892588

Scientists working at the Massachussets Institute of Technology have discovered how two fumour-suppressor genes, called Rb and p53, co-operate to prevent cancer in mice, writes

Andrew Derrington. . Their results, described in this week's issue of the journal Nature, throw light on the way the body controls the destruction of irreparably damaged cells. The Rb protein acts during the development of the eye in the embryo, It stops cells from dividing and causes them to differentiate into their adult forms. If it is absent, the product of the p53 gene prevents the cells from proliferating by inducing :

programmed cell death. Tyler Jacks, MIT: US, tel 617 253 0262; fax 617 253 9863



The success of international companies is becoming increasingly dependent on information logistics. That's why more and more of these companies are taking advantage of Telekom information management systems.

One particularly good illustration of this is the Telekom contribution to the WAN (Wide Area Network) project at Ford Motor Co. This worldwide data net-

work, which links all Ford national and international operations, was set up and running in the shortest possible time. Its objective: to create a cost-efficient communications system. One feature is its ability to transmit the results and data of computer-simulated Tel.: +81 3 52 13 86 11 Fax: +8; 3 52 13 86 32 crash tests to and from the company's research and development centres based in Cologne (Germany), Dunton (England), and Ford's Paris Tel.: +33 1 44 43 00 00 Fax: +33 1 44 43 00 10 supercomputer in Detroit (USA). Compared to real-life testing, this dramatically cuts down the time it takes to acquire vital design information.

> To successfully complete this project, Telekom undertook all negotiations with the various international telecommunications authorities, created a special project team to investigate all project-related

requirements and coordinated all the transmission channels to suit the customer's demands.

WAN is now an effective and competitive business tool in Ford operations. It has not only cut communications costs but has also significantly streamlined internal communications. Optimal, customer-specific solutions are a Telekom

hallmark. These include one-stop shopping, single-end billing, network management and comprehensive consultancy services.

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Dennis Hickman

#### **MANAGEMENT**

## A question of motivation

Tim Dickson on how to keep up staff morale amid job losses

ow do you manage a business whose 340 employees will mostly be made redundant in two years' time? That is the challenge facing Keith Greenough, chief executive of Mortgage Express, the TSB's centralised mortgage lending

Aproved method

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subsidiary. A casualty of the deep recession in the UK housing market, North London-based Mortgage Express is winding down its "book" ahead of the transfer of its functions and remaining assets to TSB branches in 1996. At that point, all but a few will lose their jnbs.

Greenough acknowledges that the health of the business is heavily influenced by

macroeconomic factors - the six months to April, for example, saw a turnround from losses of £15m to profits of £19m as the bad debt charge trumbled - but he insists that the efforts of staff can make a significant impact.

Employee involvement, training and better communication are on the Mortgage Express agenda, at least as much as they would be at any enlightened financial services company with a more secure

Morale was especially low when Greenough and his team arrived in 1991, amid rumours that the company was likely to be sold and following a decision to relocate the mortgage administration centre to Glasgow (subsequently reversed). "One of the first things we noticed was a lack of trust," explains Peter Taylor, director of human resources and quality.

An important part of the re-motivation strategy has been the development of two-way communication channels. Particular emphasis was placed on introducing a staff opinion survey that adequately reflected the needs of the company. Other companies (including TSB, Rank Xerox and Federal Express) were

benchmarked and "metaplanning", a technique involving different groups of staff in confidential brainstorming sessions, was used. The fact that 78 per cent of employees responded to the subsequent questionnaire against a 60 per cent response rate to earlier polls

conducted for the company by

Mori, is an indication that the planning paid off. There are now about half a dozen cross-functional teams working on different issues, including

finding a fairer system of staff Overall 71 per cent of employees said they were positive or very positive about the company, although 50 per cent do not or tend not to believe what management says, and more than

management says, and more than 60 per cent disagree or tend to disagree with the statement that. Mortgage Express management generally understands the problems they face in their jobs. Staff development is one means by which Greenough and his follow greenties will be beginner. fellow executives will be hoping

to improve their rating this year.

Among the 26 employees being
sponsored or part-sponsored for a
professional qualification at the
moment is Susie Every, a

Hiterature remarking who strayed litigation supervisor who started as a temp in the collections department. Every has just completed an MA in Human Resource Management, having written her dissertation on the problems of downsizing at Mortgage Express. She is also developing a course on CVs/job applications which she hopes to run for colleagues if a pilot

project proves successful.

More interesting work is another important source of motivation, say Mortgage Express executives. Taylor points out, for example, that 32 people have been moved to new positions in the company in the past year. "As the company gets smaller, the chance of someone moving into a supervisory/management role is greater than it would otherwise be," explains Anne McDougall, manager in risk and management

Financial incentives, however, do not appear to loom large at : Mortgage Express.

According to Greenough: "what you pay people is a potential .- ... demotivator if you pay them a
wage which is inconsistent with
the market. This is a possible
source of dissatisfaction. Paying people more money is unlikely to itself to create a higher level of performance. It is the way you

he ideas of Gary Hamel and C.K. Prahalad ara already well-known to regular readers of this page. Harvard Business Review subscribers are also familiar with them, from a series of brilliant articles, two of which, "Strategic Intent" and "The Core Competence of the Cor-poration", have won the annual McKinsey award for the review's

best article. Now they have used the material in those articles as the basis of an exciting and valuable book on how companies build up leadership posi-

tions in new industries.

It is a book they are well-equipped to write: Hamel is professor of strategic and international management at the London Business School and Prahalad is profes-sor of business administration at the University of Michigan. They are experienced consultants, and the book draws heavily on the work they have done for companies such as Mntorola, EDS, Philips and Whirlpool.

Competing for the Future is a book about corporate strategy, but it is not a book about corporate strategy as it is taught in most business schools and practised in most companies. The authors are not concerned with how to position the firm optimally within an existing industry structure, but with how companies create new industries.

They see this process as having three distinct but overlapping stages. The first of these is competi-tion for industry foresight and intel-lectual leadership. This is competi-tion to gain a deeper understanding of technological, demographic, regu-latory or lifestyle trends and discon-tinuities that may transform indus-try, boundaries, and create new try boundaries and create new

Second, there is the race to accumulate the necessary core compe-tencies, to overcome technical hurdles, to attract coalition partners, to construct the necessary product or service delivery infrastructure and to get agreement around standards if necessary.

The third stage is competition for

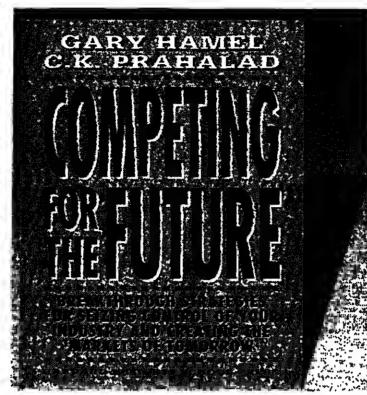
market position and market share. A big advantage accrues to the company that is the first to penetrate global markets, and the way to get there quicker is "expeditionary marketing". Market research provides a valuable way for refining existing product concepts, but it is not very helpful where new products are concerned. The way to learn faster than competitors is, therefore, to develop an effective system of product iteration.

system of product iteration.

Thus whole process of building a leadership position can take 15-20 years. For example, JVC, a subsidiary of Matsushita and the world leader in VCRs, began developing videotape competencies in the late 1950s and early 1960s, after Ampex,

David Sainsbury reviews a book expected to be this autumn's top business title in the US

## Be a better builder



a US company, had produced the first videotape recorder in 1959. But it was not until the late 1970s, nearly 20 years later, that JVC had a winning product with its VHSstandard machine,

in this process of building up a leadership position the authors assign a key role to the acquisition and deployment of core competencies. They define a core competence as a bundle of distinct and defensible skills and technologies that enables a company to provide a particular benefit to customers. At Sony, for example, the benefit is "pocketability" and the core competence is ministruisation. The possession of these competencies enables companies to move into new product areas. Also, because

rather than great leaps of inventiveness, it is difficult for competitors to "tima compress" competence building and catch up.

The authors also attach a great deal of weight to the motivation and ambitions of companies, and they argue that starting resource positions are a poor predictor of future industry leadership. While a traditional view of strategy focuses on the "fit" between existing resources and emerging opportuni ties, the companies which build up leadership positions are those that have a "strategic intent" that creates, by design, a substantial "mis-fit" between resources and aspirations. Strategy is about stretch as well as about fit.

When British Airways proclaimed they represent cumulative learning just after its privatisation in early

1987 that it wanted to become "the world's favourite airline" many people would have said this was not a realistic ambition. But by 1992. Business Traveller magazine was rating BA as the best transatlantic airline, and number two worldwide

only to Singapore Airlines.

This book is a useful antidote to much current management thinking. As the authors say, it is a book for those who are "more inclined to build than cut". They believe that the US and Britain have produced an entire generation of managers concerned only with downsizing, delayering and divesting, and that the time has come to put more emphasis on creating the markets of the future. Otherwise managers will find themselves on a treadmill trying to keep one step ahead of the steadily declining margins and profits of yesterday's businesses.

The ideas put forward in this book are stimulating and original and many of them are already being used by successful companies. But they need to be handled carefully by businessmen and women seeking to apply them.

While companies should be ambi-tious, the book at times become too inspirational. If nue's "strategic intent" is strong enough and one is imaginative enough, then there is apparently anthing in stop one becoming the leader of nne's industry. Any small business can become a Honda or a Sony. But for many companies more modest ambitions may be more appropriate. They may be limited by the talent and skills of

their management team. Second, while the authors have sought to show how their ideas can apply to all industries, they are undoubtedly at their best when dis-cussing world-class electronics and IT companies, where most of their consulting has been done. I have no dnubt that their ideas can be applied more widely, but they will need to be modified. The chief executive of a medium-sized engineering company will find a lot here that is useful and interesting, but be will need to adapt the concepts carefully to the circumstances of his own company and industry. I predict that this book will be a

big success, and that many businessmen will gain competitive advantage from reading it. It provides a more coherent view of strategy than Kenichi Ohmae's The Mind of the Strategist, is more origi-nal and stimulating than In Search of Excellence, and is certainly more enjoyable to read than Michael Porter's volumes on Competitive Strategy and Competitive Advantage.

\*Harvard Business School Press. \$24.95 US; £21.95 UK.

The author is chairman and chief executive of J Sainsbury, Britain's biggest supermarket chain.

## Sharing the blame

hen a cnmpany per-forms badly, sbare-holders usually blame the chief executive and nther senior executives. The criticism is rarely directed towards the board of directors.

Boards have been "unique among institutions in their insulation from performance review and enforceable mandates to change their procedures nr membership," says a study\* by the Conference Board, a busi-ness membership organisation that researches business policy and practice.

Yet there are signs that this state of affairs is changing. The Conference Board study reports "a growing recognitina" that boards have a responsibility to review and improve the effec-tiveness of their operations.

There has been an increasing demand for director accountability following poor company results and the publication of the Cadbury report in the UK, which attempted to define standards for corporate governance.

Those companies which have introduced director appraisal systems tend in stress the importance of contributions to discussions, says the report. Other issues that tend to be highlighted include analytical ability, assertiveness and skill

at communicating.
But formal procedures to evaluate board performance are still

The assessment of directors is handicapped because boards are "a community of peers" whose role has not traditinnally involved criticising their collective or individual effectiveness. As a result, devising an assess ment process that commands general respect is paramount. Because the exercise lacks any compliance or enforcement authority, it derives its legitimacy from the integrity of the process itself," says the report.

\*Corporate Boards: improving and evaluating performance. Price \$100. Available from The Conference Board, 845 Third Avemie, New York, NY 10022-6601.

Vanessa Houlder

#### **BUSINESSES FOR SALE**

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**FINANCIAL TIMES** 

#### Timber products business for sale

The Joint Administrative Receivers, Andrew Pearce and Graham Ord, offer for sale, as a going concern, the business and assets of THOS TREVIS SMITH LTD and STUART LEISURE PRODUCTS LTD, which manufacture and distribute a range of timber products including garden plant containers, garden fumiture, snooker tables, industrial packaging, traditional cooperage and operate some third party warehousing. Salient features are: Annual tumover of approximately £13 million and existing order book

 Established customer base includes: Independent & Group Garden Centres. DIY Multiples, Multiple Sports Retailers, Shopfitters 23,000 square feet freehold premises on 1.2 acre West Midlands site with

modern woodworking machinery

Trevis name established for over one hundred years For further details please contact Andrew Pearce, Ernst & Young, PO Box L. 3 Colmore Row, Birmingham 83 208. Tel: 021-626 6262, Fax: 021-626 6305.

**II Ernst& Young** 

Coopers &Lvbranc

#### Galleway Cheese Company Limited

The Joint Receivers, Frank Blin and Ian Rankin of Coopers & Lybrand, Glasgow, offer for sale the business and assets of this established cheese manufacturer in South West Scotland.

Principal features of the business include:

. tully automated 'state of the art' facility, returbished in 1990 at a cost of £12 million

 production capability of 95 tonnes of cheese per day turnover of approximately \$46 million for the year to March 1994

established quality product and reputation for cheese, butter and skimmed milk powders

heritable property extending to approximately 11 cores.

For further details and an appointment to view, please contact km Rankin or Jim Kikutien at Coopers & Lybrand, Kintyre House, 209 West George Street, Glasgow G2 2LW. Telephone: (041) 248 2644. Fax: (041) 226 5133.

#### **LEGAL NOTICES**

IN THE MATTER OF
ACCOMMANY LIMITED
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On 28th August 1994 there was registered with Registers of Companies for Scotland an Order of the Court of Session dated 28th August 1994 in the penision of Utility Cable pic whose registered office is at 19 Aimste Piace, Edinburgh ("the company") confirming the reduction of share premium accessor resolved on by Special Resolution of the company dated 14th July 1994. An undertaking by the company referred to in the Order was registered at the same time.

Dundar & Wilson, CS, Solicitors for Utility Cable pic, Satire Court, Edinburgh

Appendix and the property of the control of the con

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last year; Estimated annual turnover of KShs 258 million (£3.0 million): 29 acre leasehold plot with unexpired term of 95 years.

For further details and sale particulars please contact Ketth Sinclair or Pratul Shah, Joint Receiver & Manager, Coopers & Lybrand, PO Box 30158, Queensway House, Kaunda Street, Nairobi. Telephone (254-2) 339308, Fax: (254-2) 218555, Telex: 22574.

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past three years, strong demand from multinationals. eager to secure a footing in the British colony as a bridgehead to the lucrative China market, has sent property prices spiral ling 200 per cent.

Yet only last month property developers watched with incredulity as a plot of land was withdrawn from government auction after it failed to attract bids. Two other sites were snapped up at the opening bids, creating the quietest auction many Hong Kong analysts could recall. The last time the government withdrew a plot was in 1984.

At the same time, some 10 floors of the Lippo Centre, a gleaming twin tower block formerly owned by Australian entrepreneur Alan Bond, are lying empty, says property con-sultants Brooke Hillier Parker. In the six months to end-August rents for central office space rose 18.8 per ceot to an average HK\$93.40 per square

In any other market these examples would reasonably be interpreted as signs of an ailing market. But not, it seems, in Hong Kong. The empty offices in the Lippo Building present a welcome dilemma for the owners (a mix of local Hong Kong Chinese and mainland Chinese): whether to lease at yields of 10 per cent, or to sell for a book profit of at least HK\$5,000 a so ft. The HK\$13,000 and HK\$18,000 per

IPD monthly index for July

## Deceptive appearances

Louise Lucas on apparent anomalies in Hong Kong's market

The disappointing auction, which saw Citic Pacific, a Beijing-controlled diversified conglomerate, walk off with two hargain sites after making the only bids of the day, may primarily have been a reflection of developers' anger over an Independent Commission Against Corruption investiga-tion into alleged corrupt practices at an auction on May 26; poorer quality sites and a mood of caution also contributed to the disappointing

Mr Peter Churchouse, man-aging director of Morgan Stanlev Asia said: "I am fairly convinced this [the auction] is not reflective of the property market in Hong Kong, or of where the market is heading.

That auction was not about tha property market. It was sbout the bad blood between the developers and the govern-ment. Citic got a steal. This is about making points. It's about

His assertion - denied by developers, who instead grum-bled that the opening bids had been set too high - stems also from the tension between developers and the government

Total return (quarterly movement) %

since March, when Mr Chris

Patten, governor, announced his intention to cool the over-

Since then, according to the government, property prices

have fallen by 10-30 per cent. The slump was sufficient to

prompt the government - inst

two days after the previous

month's embarrassing auction

- to call a halt on any further

talk of intervention in the

particular the clampdown on

the re-sale of pre-sala flats

before completion. At the same

time local interest rates rose in

response to a hike in US levels

while banks tightened

mortgage lending restrictions.

The Hong Kong market, say analysts, defies the conven-

tional definition of a market.

Indeed Mr Archie Hart, head of

Securities, says the colony's

deserve the name of market, as

demand is artificially con-

strained by the banks, which

Retail and industrial property rates of return fell in July with

total all-property returns declining by 0.2 percentage

points to 0.7 per cent for the

month, secording to Invest-

ment Property Databank, a

research group. Capital values managed

only a marginal increase over

the month while total rental

This was disappointing fol-

lowing the recent stabiliza-

However, tha long-term

slida in rental values has

property during the 12

fallen by 3.5 per cent says

onths - to end-July have

values fell by 0.2 per cent.

tion in rental values

research at broker Crosby

markat does not strictly

he price fall, says the

government, was the

result of measures

amounced in June, in

heating property market.

cap loans, and supply is limited by the government, which sells off limited parcels throughout the year.

"At the moment it looks like this situation will continue. There is no avalanche of new supply coming on stream and equally the banks are saying the 70 per cent [loan to value] limit [for mortgages] could become a way of life rather than a temporary thing." Govarnment intervantion

could, too, remain a feature of the market in the short-term, as indicated by the ICAC invesas inticated by the ACAC investigation into the ways auctions are conducted - a probe prompted by the controversial May 26 auction.

The taskforce carrying out the review recently returned from a fact-finding mission to Singapore, from where the idea of a tender system is likely to be imported. Under this system, where devalopers are tructure - road links or sewage - they would tender rather than bid at auction for land

While the mood of caution provoked by the June measures is likely to continue, anecdotal evidence suggests activity is returning to the

approved but not yet taken up increased in July, while residential property transactions rose by between 10 per cent and 15 per cent last month. This evidence of activity suggests the recent low prices achiaved at auctions were aberrations - or political posturing - rather than the signal for a toppling market.

return on all properties fell

from 26.1 per cent to 25.4 per

cent between June and July.

Retail remained the best per-forming sector with total

returns of 0.9 per cent in spite

Industrials were in second

place with a return of 0.7 per

cent down from 1 per cent in

Offices, in spite of improv-

ing from 0.3 per cent to 0.4 per cent, remained in third

place in terms of total

· IPD said that net invest-

ment was the only indicator which remained buoyant hav-

three sectors for nearly a year

and rising to £94m in July,

No: 104000 of 1994

of a half-point fall in July.

Simpson

at Lucas

ponents group.

planning.

seizes reins

automotive and aerospace com-

group executive structure. Six business managing directors

will now report directly to

Simpson, below, as will the

four executives in charge of

finance, human resources,

communications and strategic

Jack Fryer takes the new position of director of strategic planning. Fryer, 55, was formerly managing director of Lucas Automotive, responsible for power train systems. He joined Lucas in 1986 from Rank

A Frenchman, Jean-Francois Cayot, 56, succeeds Fryer as managing director of Lucas Diesel Systems. He joined Lucas in 1985 and is currently responsible for the group's car and commercial vehicle diesel operations, based in Blois.

Frank Turner remains managing director of Lucas Aerospace. Ken Maciver, managing director of Braking Systems, will concentrate on developing Lucas' braking interests. John Anthony assumes sole respon-sibility for Lucas Afternarket Operations, John Plant, Lucas Electrical Systems, Janow reports directly to Simpson. John Parnaby becomes manag-ing director of Lucas Electronic Systems Products. responsible for the remaining applied technology businesses.

#### Powell Duffryn organises its top management succession

**PEOPLE** 

The top management succession at Powell Duffryn, one of the few British compa
Hartiss was one of two inter-George Simpson, chief nies to defeat an unwelcome takeover bid from Hanson, executive of Lucas Industries since April, has seized the reins at the Midlands-based seems to have been sorted out with the appointment of Barry Hartiss, 44, as deputy group chief executive. The former Rover chairman has abolished Lucas's previous

Hartiss, who joined the group following the 1985 acqui-sition of UK Petroleum Products, has been responsible for rationalising the group's low margin fuel distribution business and has been heavily involved in Powell Duffryn's move into port operations.

The firm is a major shareholder in Tees and Hartlepool

nal candidates who appeared to be in the running to take over from Andrew Roberts, 59, who retires as chief executive next July.

Last September, Michael Noakes, 48, an ex-BTR executive and former chief executive of Boustead, joined the board and there had been speculation that he was being groomed for the top job. However, Noakes will take charge of the group's windstand organizations subcide principal engineering subsidiaries when Freddie Bircher, 62, retires later this year. The intention is that Hartiss

will succeed Andrews who, along with Powell Duffryn's chairman David Hubbard has been responsible for refocussing the group after the unwel-come bid from Hanson. Hnbbard, a year younger

than Andrews, is expected to stay on as chairman until 1997. eventually handing over to VSEL's chief executive Noel Davies, 60, who has been appointed deputy chairman. The appointment of Davies

who comes from an engineering background, is designed to balance the promotion of Hartiss who has come up through the fuel distribution

Amec, the engineering and construction group which has been struggling to recover from tha recession, has replaced Denuis Clark, 46, head of its process and energy business, accounting for around a third of Amec's

Clark is an oil and gas man who took over as managing director of Press, the offshore engineering operation, after most of its top management team defected to a rival firm ten years ago. He joined the Amec board in May 1990 and ning one of the more resilient parts of Amec's business.

prised some analysts. Amec, which publishes its interim figures next week, stressed that there was nothing omi-nous about his exit. Sources close to the company said it derived from differences in management style rather than poor financial performance. It is understood that Amec feels that it has not been as success ful in the international market as it should have been. Ex-Wimpey executive George Payne, 46, who has been Amec's commercial director since 1993, has taken over as chairman of Amec's process

Clark's departure has sur-

## and energy sector.

Paul Manduca, who has been running Threadneedle Investment Management since the end of May, has brought in a smaller companies specialist from Hill Samuel Investment Management to improve the performance of a sector which he has identified as in need of attention

Whiddett joins Threadneedle

Investment Management

John Whiddett, 44, has spent the last decade at Hill Samuel, latterly managing equity portfolios for UK life companies. He had been keen to return to smaller companies.

In the early 1980s, Manduca had also had a spell at the merchant bank, specialising in smaller companies. Whidett knows Threadneedle's invest-ment director in charge of UK equities - Howard Maguire even better, as Maguire had. moved from an equivalent

three years ago. Threadneedla bas around

£30bn under management, comprising the funds of both Allied Dunbar and Eagle Star insurance companies. Whiddett acknowledged that he was "slightly apprehensive" as to how the newly formed Threadneedle - attempting to blend two such different cultures would work out, but added he had "great confidence" in

Manduca. Manduca\_says\_inadequate expertise on the smaller com-panies side meant that neither Allied Dunbar-or Eagla Star had adequately captured tha "big recovery bounce" in the sector last year. He hopes Whiddett's arrival will increase the funds allocated to this sector to £500m or more.

#### Cook follows Grav's footsteps

JP Morgan has found someone to fill the shoes vacated by Robert Gray, one of the best-known figures in the international capital markets business, who left the firm in April

to go to HSBC Holdings.
Gray's old reponsibilities as joint head of European capital markets will be taken on by another Englishman, Joseph Cook, who returns to London after a six-year stint at Morgan's New York office. Cook went to the Big Apple

in 1988, the year Morgan got permission to underwrite US domestic bonds, to set up the US syndicate desk. He then ran the North American capital markets operation.

Cook is no stranger to the London eurobond scene. Before joining Morgan in 1985, he was part of the so-called 'Orion mafia', having spent 14 years at Orion Royal Bank, then a key player in the aurobond market. He should also, be familiar with Grav's shoes: he stepped into a previous pair nine years ago, when he took over from Gray as head of Morgan's fixed-income syndicate

Graham Allen, formerly investment: director. appointed chairman and md of ICI Investment Management. Vice-chairman; of the Investmant . Committee of the. National Association of Pension Funds: Allen succeeds tha late Tom Heyes.

### 1992

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IN THE HIGH COURT OF JUSTICE CHANCERY DIVISION

IN THE MATTER OF UNUM LIMITED IN THE MATTER OF SOR LIFE ASSURANCE COMPANY LIMPTED

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**LEGAL NOTICES** 

THE INSURANCE CONTANTES ACT 1982

NOTICE IS REKKEY GIVEN that a Petition was on the 27th June 1994 presented to Her Majesty's High Court of Justice in England by UNUM LIMITED ("UNUM") for:

un Order under Socilon 49 of the Insurance Companies Act 1962 ("the Act") suscitabiling a Science providing the the massier to UNUM of part of the long-term insurance business carried on by Windoor Life Assurance Company Lituited ("Windoor"); and

(2) an Order making ancillary provision in connection with the Implies Section 50 of the Act.

Copies of the Petnion, the Scheme, and a Report and a Supplemental Report by an independent Acutary as required by Sension 49 of the Act may be inspected at the segistered offices of Windsor at Windsor House, Tellhard Center, Tellowi, Stropalier 173, 401; of UNUM at Millson Court, Dorking, Serry REM 31.2; and at the office of UNUM at Swen Blonce, 37(3) High Bolbons, London, WCIV 6AA during must beginness focus for a period of 21 days from the publication of this notice.

The Petition is discound to be heard before Mr. Registers Suckley at the Royal Courts of Justice, Strand, Loadon WC2A 2LL on Westnesday the fifth day of October 1994 and any person, including any employee of Windows or UNUM who claims to be adversely affected by the Scheme, may appear at the tiese of because in persons or by Counsel. Any persons who fatened no to appear, and my policyholder of Windows or UNUM who discounts from the Scheme best does not instead to to appear, should give not has then two clear days price society in the Scheme best does not instead to be specified not instead to be described. The substitute of the Scheme best does not instead to be specified to the substitute of the Scheme best does not instead to be specified.

DATED this 2nd day of Sentember 1994

Lovell White Duran 65 Hollton Vindaci London ECLA 2DY Ref: ANKWCITY Solicitous for UNUA

#### COMPANY NOTICES

SIGECO (UK) LTD

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The above-named Company has approved a payment out of capital for the purposes of acquiring its own

2. The amount of the permissible capital payment for the shares in question is £30,000,000 and the olution approving such payment Oot of capital was passed on 30 August 1994.

.The Statutory Declaration of the Directors and the anditors' report required by Section 173 of the said Act are available for inspection at the Company's registered office at IM1 House, 8 Laurence Pountney Hill, London EC4R OBE. Any creditor of the Company may a

any time within five weaks

**GENEVA** iately following 30 August 1994 apply to the High Court on - 187 square metres Section 176 of the said Act, for an Modern Offices and order prohibiting the payment. Basement parking. Dated: 30 August 1994 SFrs. 1,200,000. Mario Cotto uther details telephone 0242 678253

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#### **FT CONFERENCES**

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THE NUCLEAR INDUSTRY - INTO THE 21ST CENTURY?

14 & 15 September 1994, London
This high-level meeting will examine the outlook for nuclear power in North
America and western Europe and review growth potential in the Asia-Pacific
region. The challenges of Emproving efficiency and safety at nuclear plants in
eastern Europe and Issues related to managing the fuel cycle will also be
addressed. Speakers include: James Hann CBE, Scottleth Nuclear, Rémy
Cerle, EGP, Michael Kirwan, Nuclear Electric; Dr Vin-Yun Hau, Atomic Energy,
Council, Taiwan; Michael Folger, United Kingdom Nirex Limited; Professor
Jurgis Vitemas, Lithuanian Energy Institute; Thierry Beudon; EBRO; John
Guinness CB; British Nuclear Fuels and Jean-Paul Lannegrace,
FRAMATOME.

**RETAILING TOWARDS 2000 -**COMBINING VISION AND EFFICIENCY

COMBINING VISION AND EFFICIENCY
London, 21 & 22 September 1994

This year's meeting will focus on the need for the retail industry to exploit fully the opportunities that new markets and new technologies offer, while dealing with the fundamental business challenges - maximising profletibility; controlling costs; managing the property portfolio and 'crime busting'. Winning retail formats will be those that successfully combine vision with efficiency. Speciess at the conference, arranged jointly with Coopers & Lybrand, include: Teh Ban Lian, Emporium Holdings (Singapore) Ltd; George Beeton, Edgars Stores Limited; Zoitan Koszogi, Azur Unic; Mark Lilly, The Dianey Store Limited; Michael Ruddell, The Boots Company; Robert Miller, Galleria 21 (UK) Ltd; David Cermen, Quantum internetional and lan Smith, Matalian.

INTERNATIONAL BANKING

Madrid, 29 & 30 September 1994
This major forum, immediately prior to the annual meetings of the IMF and the
World Bank, will debate the outlook for banking in the mid-1990s and address event came, win capase the outdook for bentang in the mid-1980s and eddress e wide range of issues of current concern to the international financial community. Speakers taking part include: Emilio Sot, Tun Rios, Banco Santander, Lord Alexander of Weedon QC, National Westminster Bank pic; Dr H Onno Ruding, Citicorp; Richard J Boyle, Chese Manhettan Bank NA; Dr Josef Ackermann, Credit Suisser, Egidio Giuseppe Bruno, Credito Italiano and Eugene J Ludwig, Comptroller of the Currency, USA.

INTERNATIONAL INFRASTRUCTURE FINANCE BUILD-OPERATE-TRANSFER [BOT]

BUILD-OFEIATE-I INVESTER [BOT]
London, A & 5 October 1994
This major Financial Times conference will focus on build-operate-transfer
[BOT] opportunities in key growth markets, to include Eastern Europe, South
Africa and the Middle East. The challenge of financing and managing BOT
contracts will be highlighted in recent case studies of major projects in the oos and enviro powar, telecommunications and environmental intrastructure sectors. Speakers include: Mr Trevor Menuel, Minister of Trade and Industry, South Africa, Sir Alletair Morton, Eurotunnel, Thierry Baudon, EBRD, Dr Jacques Rogozinski, Banobras, Inder Sud, The World Bank, John Hollitan III, Morgan Stanley & Co Limited, Michael Heath, Nynex Network Systems Company, George Kappaz, KMR Power Corporation, Mr Christopher Nast, Northwest Water International Ltd. Mr Malcolm Stephens CB, The Berne Union.

INDIA'S ECONOMIC RENAISSANCE Delhi, 26 & 27 October 1944

Destin, 20 of 20 October 1994.

Given the breadth and pace of economic reform in India since 1991, this high-level FT forum will provide a unique opportunity to review the government's liberalisation programme and assess business and investment prospects. The meeting will also consider india's competitiveness in world merkets and look at the challenges of improving the country's infrastruture.

DOING BUSINESS WITH HUNGARY

Budapest, 14 & 15 November 1994

With a new Government recently elected to office, this major FT conference will provide a timely opportunity for a re-appreisal of Hungary's attractivness as a location for foreign direct, and increasingly portfolio investment. Speakers include: Mr Peter Bod, President, National Bank of Hungary, Mr Ference Bartha, State Property Agency, Professor James Merconyl, Former State Secretary, Ministry of Foreign Affairs, Mr Lajos Bakroe Budepest Bank Rt and Budepest Stock Exchange Council, Mr Lajos Caepi, State Holdings Company AV Rt. Mr Gyongy Suryani, Managing Director, Central European International Bank, Dr Mark von Lilliensklofd, MATAV, Mr Istvan Orban, EGIS

DOING BUSINESS WITH SPAIN

The FT's '94 conference, to be arranged with Expansion and Actualid Econômics, will take as its theme "Spain Competing in Europe", focusing or economic recovery, competitivity and liberalising markets. Speakers include: 0. José Antonio Grinán Martínez, Minister of Labour & Social Security. Spain. ). Alberto Recente, Vice President & Managing Director, Certurgion; D. Carlos apinosa de los Monteros, Chairman & Chiel Executive, Mercedes Benz D. Alberto Recerta, Vice President & Mana Senner, SA; D. Oscar Fanjul Martin, Chairman, Repool SA; D. Luis Atienze, Serne, Minister of Agriculture, Fisheries & Food, Spein; Mr Bernerd Dumon. Chairman, Saint-Louis Group SA; D. José Miguel Zaldo, Chairman & President, Grupo Tavex.

All anguirles should be addressed to: Financial Times Conferences, P O Box 3651, London SW12 8PH, UK. Telephone: 081-673 9000, Fax: 081-673

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Yet there are compensations and even the odd improvement. One of the opening songs, "We don't want to lose you, but we think you ought to go", is immensely moving precisely because it is played by such

young people.

The build-up of the songs is a reminder of what a musical masterpiece Ms Littlewood produced. They go from confidence to doubt to near despair. In "A long way to to doubt to near despair. In A long way to Tipperary" there seems to be a new emphasis in the line "but we're not down-hearted yet". In "Pack up your troubles in your old kit bag", they are still trying to force a smile. It's a long from 1914 to "I want to go home, Oh my, I don't want to

The dialogue scenes are generally less confident. The NYT cast cannot really pull off the generals and their ladies and per-haps the original text was not as strong as we recall. The exception remains Christmas Eve when the Tommies hear the Jer-ries singing "Heilige Nacht" from across the trenches: they talk, fraternise, play tootball in no-man'a land before the shelling resumes. This is as moving as ever.

Direction is by Dean Byfield and the show is sponsored by Price Waterhouse. It

Malcolm Rutherford

runs at the Bloomsbury Theatre, London WC1 (071-383-8822) until September 10.

## 'Oh What a Lovely War' revived



The Edinburgh Festival: Lynn MacRitchie on the Obala group from Sarajevo; and Alastair Macaulay on the Fringe and theatre

This has been a good festival for

the Demarco European Art Foundation, housed for the moment in the former St Marys School. The building is overflowing with activity in every corner, So far, one show, Mirjam hy Mariela Stefanski, has won a Fringe First award, Damien Hirst's rats have grabbed lots of welcome headlines, and Romeo and Juliet by the Estonian Youth Theatre is proving a festival favourite. But perhaps the most notable achievament is the appearance of the group of artists from the Obala Gallery in Sarajevo which has finally managed to bring its exhibition Witnesses of Existence to the festival. Invited by Richard Demarco last year,

the group was unable to get permits to leave the city. This year, with the help of a sympathetic officer, the artists have been able to get out on UN flights and have taken the show to New York and Switzerland before arriving in Edinburgh.

Art among the ruins

Demarco's interest in eastern Europe is no new phenomenon. The idea for the present show was born when Demarco took a group of Scottish artists to Sarajevo in February 1988. He says, "I believe we must listen to all the languages of Europe ... Here we hridge the gap between the world of art and the world of reality ... around tha heart of Europe which is bleeding. Our life as artists is about confronting the issue of the cre-

ation of gaps, failing to make contact,"
The visiting Sarajevan artists agree with this sentiment, but their position is difficult. After discussion, it was agreed that it would be in everyone's best interests if two Serbian theatre companies originally scheduled to appear at the

Foundation staged their performances alsewhere, and a new venne was found.
"Being anti-war is not enough," the exhihition co-ordinator Izeta Gradevic told me. 'You have to be against the camps, ethnic cleansing, everything. Our group is completely mixed, we are a Bosnian group. But art is not divided from poli-

Demarco believes that education is the vital factor in making art the force for good in our lives, and hopes that the Foundation can remain permanently at the school as a sort of international interdisciplinary university.

"Most people are so simple, their lives are about absurdities, and that is our problem - it is a question of education, of

giving people more than they have been given. When we understand that culture and education are two sides of the same coin, we will not have a Ministry of Culture and a Ministry of Education, we will have civilisation."

The experience of the Obala Gallery artists would seem to confirm that art can have a life enhancing role no matter how atrocious the circumstances of its creation. When what was to have been their new gallery space was destroyed by shell-ing before they had moved into it in spring 1992, they decided to exhibit their work there anyway, and organised a group show in December in the ruins of

safe passage for pedestrians across an intersection notorious for sniper fire. The artists' diary of the exhibition has photographs showing passers-by, one still in a cronching run, one clutching a loaded shopping bag, staring in amazement at them calmly arrranging their work. "The artists wanted to keep it as a space for spirituality..." Izeta Gradevic explained, and their installations among the ruins, e of which have oow been brought to Edinburgh, became an affirmation of the determination to be civilised, to behave above all with decency and dignity, which was coming under such brutal attack. "People were surprised and happy, they were crying at the opening. When you have no food, no water, no electricity, people used to say is art so important? Now they do not ask that question."

Witnesses of Existence comes to the Atlan-Meanwhile, the basement had become a tis Gallery, London, in December.

f you plan an Edinburgh evening wisely, you can see at the Assembly Rooms Anorak of Fire, followed immediately by The Fabulous Lypsinka Show. The two shows are so completely in contrast that the juxtaposition is very satisfying. Anorok is male, English,

has been around for a year and has ma cult followers; but oh, Lypsinkal I must explain that I do not call Lypsinka female in the most literal sense. She is John Epperson, who is both writer and performer, and she not only transcends the camp drag act she performs, she actually makes a searing feminist point. She is

naive, inhibited; *Lypsinka* is female,

American, sophisticated, full-out. Anorak

extremely funny, but she repeatedly wipes the laughter off your face. Like so many drag artists, Lypsinka reproduces feminine glamour, but what makes her so original is that she is all about reproducing femininity. She mimes to a tape that is a brilliant collage of quotes and acts by a bundred different American popular divas of stage, screen and cabaret, and as her act proceeds It becomes a study in the desperation of try-

ing to fit the image of femininity. There are the desperations of the drag artist trying to fake femininity; of the woman trying to take diva glamour, of the diva trying to maintain glamour. And all of it for the sake of men. Or is it? Within Lypsinka the vamp lies Lypsinka the manhater that hursts out to the stahhing shrieks of Psycho-type music. The two faces of her persona are, deep down, differeot faces of the same attitude: desperation again, arising from her need to thrill men, to obtain men, to live for men, and from her plight of never finding Mr Right, of being wronged by Mr Wrong.

#### Treats from the Fringe

One moment she is performing to "The things I've done to make you love me", the next to "Isn't lt plain, I can't bear to be handled. Don't touch me." The quick after nation is hilarious, and at the same time, horrifying. The artifice of glamour becomes more and more obvious, and the torture of striving for perpetual chic becomes more alarming. And yet, despite yourself, you laugh.

s it possible to be both camp and innocent? The Topp Twins, from New Zea-L land, manage it. Their show has now ended at the Traverse, but I loved it and I hope Britain sees them again soon.

In their late-night show, Camping Out. they welcomed us to the Happy Valley Camping Ground. One of them was called Camp Mother, the other Camp Leader. If you put Dame Edna into Hi-de-Hi!, you might begin to get an idea. "We're going to try something tonight we haven't tried in a long time," Camp Mother announces. We call it audience participation. You call it fear." And soon we were singing camp songs, up onstage playing camp games, and several of us ate camp food We knew it was safe, because we had

watched Camp Mother frying it. The innocent fun of it never palled. But what made Camping Out something rare was its sheer professionalism - the Topp Twins are very good singers - and the detail with which they built up their charscters. Camp Mother and Camp Leader are both relentlessly jolly, bespectacled, spin-

sters. Camp Mother throws herself into camp activities with immense vim. In consequence, she has to keep briskly read-justing her boob-tube. Camp Leader is more tongue-tied and nervous, but gets terribly over-excited. She grins awkwardly, her little tongue flickers out like a snake's, she blinks and wrinkles ber nose. Then at last she gets to have the stage to herself for two minutes. "I'd like to point out bow mahvellous Camp Mother has been this year." she says with a nervous giggle. "She had more than her share of arthreak last year, you see. Well," (conspiratorially) "as a matter of fact," (chortle) "she get jilted!" For a moment Camp Leader is convulsed in glee.

nother fringe highlight is The Big Window, a 100-minute musical at Theatre Workshop performed by an Anglo-American cast of 10 and band of three. This is a delicate, sophisticated piece which deals with heartbreak and sexual confusion in an urban milieu.

The music, composed by Linda Dowdell is in an eclectic vein of high jazz. The words, by Kate Browne, have a fine talent for light irony. "You and I have known each other a long, long time. We are, if I remember correctly, even married." she and Dowdell have so collaborated that the words move into haunting Gertrude-Stein-type cycles: "Perhaps she said perhaps." There is a wide panoply of rhythm, some deft choreography by Kraig Patter son, but the most exciting thing of all is that Dowdell shows a very rare instinct for word-setting. In ensembles, in solos, in high-jumping vocal lines, she plants words with exceptional clarity and to great effect. While you applied, you hope this is the embryo of some larger project.

## The Hour We Knew "Nothing of Each Other

ever happens in Grand Hotel.) They have their exits and their entrances. Time passes. Peter Handke's play The Hour We Knew Nothing of Each Other has stage directions but no words. And its top layer - as realised hy Luke Bondy's staging for the Schaubühne am Leitner Platz, Berlin, now at the Edinburgh Festival Theatre - is an absurdist study in character.

Individuals cross the stage, each revealing soma different peculiarity, and many of the vignettes concerning tham are funny. There are the four Austrian-type tourists, determinedly trekking along against all odds, beaming their wonder the two old peasant women pushing shopping-trolleys; the lone male roller skater who finds time to stroke his hair oh so casually and then glides offstage in a sud-den arabesque; the SAS-type soldiers who zoom perilously onto the stage and straight off again; a Tarzan who swings onto the stage and then walks across it like an ape; s Papageno, whistling appro-priate tunes by Mozart, with his birdcage, who gets clobbered by a harmless-looking gent carrying a huge pack of nappies. All of them look as if they were New Vorker cartoons. But the fun of a cartoon is that it is one frozen moment out of time. The Hour We Knew Nothing of Each Other, however, is 120 minutes long. And it soon

adds op to a view of the world - a world

peopled by oddhalls, where nothing has

rhyme or reason, where noises off (guns?

eople come, people go. (Nothing bombs?) frighten everyone into defensive

posture. The mood only darkens after an hour or more, although you know from one look at Gilles Aillaud's elegant after-Magritte set that darkness will descend. An Egyptian dog-deity on a plinth; an old car half-covered hy a dust-sheet; a blue horizon; a manhole; an incomplete white wall . . . The fact that these scenic elements do not add up to anything coherent is, of course, the whole point.

Let nobody think that any of this is the least bit original, by the way. The shape of it is extremely reminiscent of many Merce Cunningham works, and many of its comic anecdotes have heen prefigured in any number of ballets by Jerome Robbins. And the Dadaist feel of it all, the collection of bizarre human eccentricities, derives from

such Pina Bausch works as 1980. So why do I find so much less merit in Handke'a play than in these works it so resembles? He is only interested in external differences. Whereas Cunningham honours human potential and makes it large and complex. Handke knocks it down to size and makes it pointless. Even Bausch, to whose Teutonic spirit he is much closer, is more interested in the urgent internal forces that motor the unhappy crazies ahe puts onstage. Handke's play is the hour we knew nothing of each other - and cared less.

At the Edinburgh Festival Theatre till

Sponsorship

### Record for Edinburgh

rts sponsorship was late into the recession, but seems to be coming out of it quite smartly - at least in Edinburgh. The 1994 festival, which closes tomorrow, attracted 15 per cent more corporate support than last year, with a record total of £1m. The money is vital - it accounts for 20 per cent of festival revenue. Only half the aid goes in straightforward arts sponsorship. The remainder is donations from trusts and individuals and from the corporate membership scheme, where companies are tempted to form a festival connection for as little as £2,500. Edinburgh hopes to sign up more London-based companies, Whithread and Bats are recent additions.

The increase in sponsorship owes some-thing to renewed business confidence and more to the fact that the festival is enjoying an artistic revival under director Brian MscMaster. This does not mean that his ambitious presentations, like a seven and a half hour Oresteia in Russian, are enthusiastically embraced by sponsors - this year's challenging foreign drama produc-tions failed to get backers. But they did receive a good critical response and this

raised the prestige of Edinburgh.

Predictably, sponsors at the festival are motivated mainly by the corporate hospitality opportunities – IBM flew in 200 top executives from Europe for its sponsored concert of Beethoven's Ninth Symphony hut the festival's development director, John Godfrey, is trying hard to broaden their horizons. He made some progress this year when one longterm sponsor, the Royal Bank of Scotland, added advertising of its connection and competitions for tickets, to his traditional format. Another leading sponsor. Hertz. which sponsored Miami City Ballet, invested some of its money in an educational project, with

dancers visiting local schools. The Royal Bank of Scotland was quick to exploit the festival's newest attraction, tha Festival Theatre, and put £60,000 hehind the opening production there, Beethoven's Fidelia. In contrast, events at the other main festival venue, the Usher Hall, commanded a sponsorship tag of \$20,000. The festival, like every other arts organisation these days, is open to offers on the size of a sponsor's commitment.

This flexibility brings In the newer more experimental companies, like Beck's Beer, which was willing to put some money behind one of the most elitist festi-val evenis, the Canadian director Robert Lepage's new work, The Seven Streams of the River Ota. Even so the festival still relies on local banks, utilities and hreweries for most of its sponsorship income.

Like other-arts organisations, the Edinburgh Festival is alive to the opportunities in payment in kind. But Godfrey is not soft-headed - there is no airline tie-in this year because he was not prepared to give £30,000 worth of sponsorship privileges to an airline in return for the equivalent in full price tickets. It is better to do a deal elsewhere – with InterCity, for example and buy air tickets for artists when needed from discount sources.

Hertz gives some of its support in kind as well as cash, and in return for inclusion in the Corporate Membership Scheme Strathmore Spring Water is supplying 8,000 litres of the stuff. Famous Grouse ensures that every performer at the festival receives a bottle of whisky.

Godfrey is adept at persuading major arts supporters to at least do something in Edinburgh. British Gas is currently re-examining its sponsorship programme but has agreed to pay for the video that will promote sponsorship of next year's festival. when the target is £1.2m.

The habit of using festival events to entertain means that most companies double their expenditure by the end of the day, when the costs of parties, accommodation etc, are added in. Godfrey hopes that the example of Beck's will persuade sponsors to go for more avant-garde happenings in 1995 and that the lead from the Royal Bank of Scotland will encourage them to exploit the link more imaginatively. But one thing stays inviolate -Brian MacMaster plans his festivals with sponsors firmly out of mind. Only when

pick it over.

**Antony Thorncroft** 



#### The Glory of Venice

The main autumn exhibition at London's Royal Academy is devoted to the art of 18th century Venice. Opening on September 15, it will encompass the whole range of artistic production, including painting, drawing. printmaking and sculpture.

Venetian painters of the 18th century built on a tradition inherited from the Renaissance, when the legoon city's reputation as a great centre of art was established. They created works in which colour and light were of paramount importance, producing alterpieces for cathedrals, decorative paintings for the laity, and portraits and views of the

city for tourists. Several of Canaletto's most spectacular views from England and Venice will be on show. The other great view painters, Francesco Guardi and Bernardo Belictto, will also be represented. All aspects of the work of Glovanni Battista Tiepolo, the presiding genius in Venice at the

time, will be featured - including a rare showing of St James of Compostela (1751), on loan from

The work of Tiepolo's contemporary, Giovanni Battista Piazzetta, should prove one of the revelations of the exhibition. One of the least known artists of the period, Piazzetta painted altarpieces of great dramatic power - one of which, Archangel Raphael with SS Antony of Padua and Luigi Gonzaga (c1730), has been specially restored. Our knowledge of dally life in the city is in part due to painters of genre scenes, including Pietro Longhi, who recorded everything from a lady's morning tollette to regatte: and street vendors.

Three artists who bring the show to a close were to sow the seeds for developments in 19th century art: the painter Beliotto, the engraver and draftsman

Piranesi and the sculptor Canova. Tickets will be available on the day at the Royal Academy, or you can avoid queues by booking in advance at First Call (tel 071-240 7200). The exhibition, sponsored by Sea Containers Ltd, runs till

December 14. EXHIBITIONS Rijksmuseum The Renaissance Print 1470-1500. Ends Oct 30.

Closed Mon Van Gogh Museum Van Gogh's Self-Portraits. Ends Oct 9. Daily

ANTWERP Hessenhuls-Museum Music and Painting In the Golden Age: 50 paintings by 17th century Netherlandish masters. Ends

7 Oct 30. Closed Mon BERLIN Berlinische Galerie Raoul

Haussmann (1886-1971): retrospective of one of the leading figures in the Berlin avant-garde of the 1920s, Ends Oct 2. Closed Mon Echraim-Palais Berlin Painting from Blechen to Hofer: s selection of the most important 19th and early 20th century paintings from Berlin galleries. Closed Mon (tel 238 0900) BONN

Kunsthalle The Century of the Avant-Garde in Central and Eastern Europe: 700 works by 200 painters and sculptors, offering a thematic guide to the main artistic developments of the past century. Ends Oct 16. Closed Mon RRIIGES

Groeningemuseum Hans Memlino: 40 works by the 15th century Flemish master. Ends Nov 15 St John's Hospital Modigilari Drawings 1906-1914. Ends Oct 2 CHICAGO

Art Institute Odilon Redon; 180 works by the late-19th century French painter-poet. Ends Sep 18. Goya: 100 small-scala paintings. Ends Oct 16. Daily COLOGNE Wallraf-Richartz-Museum Withelm

Leibl: 150th anniversary tribute to the Cologne painter who was leader of German Realism in the late 19th century. Ends Oct 23. Closed Mon DRESDEN Kunferstich Kabinett James

McNeill Whistler: a rare German showing of etchings and lithographs by the American artist who established his reputation in Europe in the late 19th century. All 62 exhibits were collected in Dresden

between 1892 and 1919, and are being shown for the first time. Ends Nov 25. Closed Sat and Sun ESSEN

VIIIa Hügel Paris - Belle Ecoque: an evocation of the period from 1680 to 1910 with paintings, drawings, posters, photographs, glass and furniture. Ends Nov 13.

FLORENCE Palazzo Pitti Royal Treasures from Denmark: silvar furniture, royal costumes and ivories dating from the era of Frederik IV of Denmark,

in Florença in 1709. Ends Sep 11 Burrell Collection Aspects of the Italian Renaissance 1400-1650: an exhibition of paintings, glassware, ceramics, decorated arms illustrated books, textiles and musical instruments, capturing the

who visited the court of Cosimo III

spirit of an extraordinary period of creativity. Ends Sep 25. Daily HAMBURG Deichtorhallen The Century of the Multiple: 130 artists are represented In this survey of multiple art editions in three-dimensional form, ranging from early replicas of objects by

Duchamp and Man Ray, to present-day mass reproductions. Ends Oct 30. Closed Mon Kunsthalle Masterworks from the Guggenheim Collection: 60 paintings by Picasso, Braque. Dubuffet, Bacon, Chagail, Kandinsky and Mirò. Ends Seo 25. David Hockney, drawings from 1954 till the present. Ends Oct 10. Closed Mon

LONDON British Museum Greek Gold lewellery of the Classical World. Ends Oct 23. Daily

Victoria and Albert Museum Pugin - A Gothic Passion: retrospective of the 19th century British architect and designer. Ends Sep 11. Daily Royal Academy of Arts The Belgian Avant-Garde 1880-1900. Ends Oct 2. Daily (advance booking 071-240 7200) Courtauld Institute The Samuel

Courtauld Collection of Impressionist Paintings. Ends Sep Tate Gallery Turner'a Holland. Ends Oct 9. William Blake - Art and

Revolution: an exhibition focusing on the English artist'e output in tha 1790s. Ends Oct 16. Dally LUGANO Villa Favorita The St Petersburg

Murakka: first-ever public display of 98 large double-sided folios of breathtakingly beautiful calligraphy by the celebrated late 16th century Persian court artist Mir 'Imad Al'Hasani. Ends Oct 2. Europe and America: 19th and 20th century oil paintings and watercolours ranging from the Hudson River School to examples of Cubism, German Expressionism, the Russian avant-garde, Dada, Surrealism and Pop Art. Ends Oct 30. Closed Mon. No parking facilities: take Bus no 1 (tel 091-518152) NEW YORK

Metropolitan Museum of Art The Annenberg Collection of Impressionist and Post-Impressionist Masterojecas. Ends Nov 27, Dali - The Early

Years, Ends Sep 18. Closed Mon Museum of Modern Art British Drawings 1890-1990. Ends Sep 13. Whitney Museum of American Art Edward Hopper (1882-1967) and Jack Pierson (b1962): the latter has

selected 20 works by the former. and placed them alongside his own work. Ends Sep 11. Joseph Stella (1877-1946); more than 200 works by the American modernist. Ends PARIS

Musée d'Orsay Nadar. Photographs 1854-65: Nadar was a friend of writers and painters, whose portraits raised photography to a creative art. Ends Sep 11. Closed Mon

Centre Georges Pompidou Joseph

Beuys: retrospective of one of

Germany'a leading avant-garda artists of the postwar period. Ends Oct 3. Closed Tues Musée Picasso Tha world's largest collection of Picasso's work is completed by his own collection of paintings by friends such as Braque and Matisse, and artists he admired, such as Renoir and Cézanne, Closed Tues (4271 2521) Musée Rodin This delightful 18th century town house contains the lifa work of the sculptor Auguste Rodin, Closed Mon (tel 4418 8110) Musée Marmottan This museum houses an important collection of paintings by Monet, including Impression-Soleil levant, from which tha Impressionist movement took its name. Closed Mon (tel 4496

VENICE Antichi granai della repubblica China in 220 BC - The Warriors of Xi'an: ten of tha 7,000 lifesize terracotta soldiers who guarded the tomb of Emperor Qin Shihuangdi in central China, along with copies of war chariots and weapons discovered in one of this century'a most dramatic digs. Ends Sep 11.

Jüdisches Museum Max Oppenheimer (1885-1954): retrospective of one of the most neglected figures in early 20th Closed Sat

Kunsthistorisches Museum Tintoretto portraits. Ends Oct 30. Albrecht Dürer: s selection from the museum'a collection of work by the early 16th century Garman master. Ends Oct 30. Closed Mon WASHINGTON

National Gallery of Art From Minimal to Conceptual Art - Works from the Vogel Collection: 90 drawings, photographs, paintings and sculpture by contemporary artists, including LeWitt, Christo, Ryman, Beuvs and Flavin, Ends Nov 27. Daily

Freer Gallery of Art Chinese Calligraphy: the exhibition focuses on varied uses of calligraphy on 36 decorative and utilitarian objects made of clay, lacquer, jade, bamboo, silk and wood, dating from the 7th to 19th century. Ends next May. Egyptlan Glass: 15 brilliantly coloured glass vessels dating from the second millenium

BC. Daily Arthur M. Sackler Gallery Lois Conner - Photographs: 80 large format photos depicting architecture and nature by the American photographer working in Asia. Ends next May. Daily

ZURICH Kunsthaus Dada Global: a large selection of paintings, drawings and collages by Duchamp, Man Ray, Ribemont-Dessaignes, Max Ernst and many others, relating to the nihilistic movement founded in Zurich in 1916. Enda Nov 6.

#### Environmentalists must live with trade, says Clayton Yeutter

## 'Gatting' the Greens



congressional dehate might suggest to most Americans that trade and environmental policies are incompatible. Some

environmental groups fear that decisions made by the World Trade Organisation may force l'lowest common denominator" reduction in environmenal protection in the US and elsewhere. Proponents of trade expansion are equally worked up, fearing inclusion of environmental issues on the WTO agenda wili add burdensoma delays and complexities to

trade policy decision-making.

Both sides are over-reacting. There is no inherent conflict between environmental protection and open trade; they are not mutually exclusive goals. There is nothing in General Agreement on Tariffs and Trade rules - rules soon to be assumed by Gatt's euccessor organisation, the WTO - that precludes consideration of environmental issues during a multilateral negotiation. The more relevant question is whether those issues are ripe for negotiation on a global basis. A second, and perhaps even more relevant, question is whether those who seek consideration of environmental issues have as their primary motivation protecting the envi-

ronment, or impeding trade. The challenge for international environmental policy is to strike a sensible balance between economic development/job creation/trade expansion, on the one hand, and environmental protection on the other. In recent years most environmental organisations have begun to embrace market-based solutions to environmental issues, recognising that markets and growth are not generally inconsistent with environmental protection ... There remains, however, a cadre of hard-core activists wbo view command-and-control regulation as the only legitimate environmental policy, and who also view economic growth as an enemy of the environment. This listed a special committee on standards are not used simply bard-core group seems bent on trade and the environment its majorin an unfair competitive. enshrining unilateral trade retaliation, extraterritorial regulation, and unfettered regula-

stone of US trade and environmental policy. Painting the new WTO as a

"Gattzilla" out to devour the environment, as some environmental groups have done, trivi-alises the challenge of determining how best to mesh environmental protection with economic growth and trada expansion throughout the world. That answer is not to be found in a massive global environmental bureaucracy, nor in unilateral imposition of US environmental standards on developing countries: citizens of the third world are not about to be consigned to a future as hewers of wood and drawers of water. The answer must be found through multilateral consensus within Gatt

(and then the WTO). Gatt is already addressing many of these difficult and vital issues. The present agreemant specifi-

cally permits Only through measures to multilateral protect the consensus can the environmental environment, US achieve change agraements.
We simply do are aimed at in international axhaustible trade rules or natural environmental standards. are taken in

conjunction with restrictions on domestic production

This is broad language, and it has been interpreted broadly. Too often the positive side of Gatt's record on environmental issues has been overlooked. Gatt has clearly stated that a nation may bave more demanding environmental standards than those in other countries · so long as they are not more trade restrictive than necessary. Gatt has also ruled that nations may take balanced action for conservation of natural resources outside their borders and that restrictions may be imposed to conserve a natural resource even if its stocks are not presently depleted. Gatt thus encourages nations to conserve resources for future generations.

Just recently the Gatt estab." will study and report (to the new WTO) on a whole range of environmental issues of contory sovereignty as the corner-cern to US business, including the trade effects of packaging and labelling requirements, product standards, and environmental charges. The US trade representative will also have an advisory committee on the environment to examine

The WTO must eventually confront these issues - in a manner compatible with Gatt's historic objective of opening trade. WTO member nations must act objectively and sys-tematically, lest they seriously jeopardise a half-century of progress in liberalising trade. The US, as a leader in the WTO and a force for both open trade and environmental protection, should nurture this process, helping its fellow WTO members to avoid premature, capricious judgments concerning the future interrelation of the environment and trade.

All this is relevant to the present debate over giving the President "fast track" authority to negotiate not yet know whether it would be in the self-interest of the US to nego-

tiate on these

ssues, and we certainly do not yet know what our specific negotiating objec-tives would be. Most other nations are not nearly as far along on the "negotiating curve" as we are. After the recently established committee on trade and the environment reports its findings, interested parties in all nations can assess whether new trade/environmental negotiations are appropriate. If so, let's negotiate; if not, the WTO can and will move on to other issues. The Gatt accord now before

Congress will allow an individual WTO member to impose higher product standards than other nations so long as the standards are based on sound science. The US supports this. concept, for it encourages environmental stewardship, but we need to make sure that high

Standards that cannot be supported scientifically will properly be subject to WTO

pruned back plant poised for a new burst of growth." The 1,000 delegates assembling this weekend in Blackpool for the 126th gathering of the Trades Union Congress may draw comfort from challenge. Bad science is too the words of Mr John Monks, often just disguised protection-TUC general-secretary. But could the TUC's modernising ism. Good science will improve public health and environ tal quality around the globe, leader just be whistling to keep their - and his - spirits up? and it will also enhance the

credibility of its proponent

Only through multilateral

aningful change in interna-

tional trade rules or global

environmental standards. The US cannot mandate standards,

because the Gatt - to the fre-

quent benefit of the US - has

traditionally operated by con-eensus. (Though that could change under the WTO, it is

unlikely to do so except on rare occasions.) Therefore, the

key to success is to negotiate

and negotiate well.

If we have unrealistic negoti-

ating objectives in these new

areas, the negotiations will not succeed. That would do noth-

ing to protect the environment.

But we can work through the

WTO and other international

hodies to convince other

nations of our positions and to

encourage the adoption of

sound principles to improve

Reducing trade harriers in

industrial countries will also

encourage daveloping coun-

tries to raise their own stan-

dards of environmental protec-

tion. Nations devote more

attention to protecting the environment as they become

richer. As a middle class

emerges and grows, demands for protection of the environ-

ment increase. We should work

with this trend, not against it.

the greens, not "green" the

Gatt. Multilateral co-operation

on issues affecting trade and

the environment will offer a

stronger and more secure basis

for environmental protection

than ad hoc, politically charged actions by individual

nations, however well inten-

tioned. Those of us who have

worked on trade issues for

many years do not believe that

open trade and environmental

protection are inconsistent

goals. We look to the future

with confidence that the WTO

will properly mesh legitimate objectives in both areas.

Ambassador Yeutter, formaty US Trade Representative and Sec-retary of Agriculture, is counsel

to the Washington-based law

firm of Hogan & Hartson

in short, we need to "Gatt"

environmental protection.

ius can the US achieve

rade unionism in Britain is like e

The immediate outlook for trade unionism, as he himself acknowledges, is not good. Membership has continued to decline, by 400,000 to 7.2m, over the past year despite the fact that unemployment started to fall. Long-term trends contributing to the decline of unions and collective bargaining - the shift from manufacturing to services and the shrinking size of the average workplace -

persist.
Nevertheless, TUC delegates
can find some reasons for feeling cheerful. The arrival of Mr Monks, who only took over from the unappealing Mr Norman Willis last year, has almost certainly improved the public standing of the TUC and

unions in general. He has reorganised the TUC to give it a sharper focus; attempts to reposition it as a non-party political lobbying organisation for all employees are begining to take effect. The arrival of Mr Michael Portillo as employment secretary may reduce the scope for dialogue with the government. But Mr Monks can develop further his friendly relationship with the Confederation of British Industry and later this month he will be the first TUC general secretary to address meetings at the Liberal Democrat and

Conservative conferences. Best of all for the unions as a whole, the biggest challenge they faced for years has been surmounted with relative ease. Recent legislation has required them to obtain positive consent from members before employers can "check off" union subscriptions from pay nackets, in effect requiring unions to re-recruit the 80 per cent of members who pay union fees this way. Overall, TUC-affiliated union member ship may shrink by about 500,000 as a result. But for the first time in 15

vears, the movement can look the government in the eye and state that its core membership is real and voluntary.

To But in spite of Mr. Manks's
personal achievements, his
attempts to modernise the union movement may be insufficient to stem long-term



## Waiting for the workers' harvest

decline. In addition his reforms face opposition from within

union ranks. Some of the more conservative union bosses have not grasped that European-style social partnership - which the TUC leadership regards as pro-viding a new lease of life for the movement - requires changes from them too. There could be rows at the Congress on the policy of supporting workplace rights for all workers, rather than just union members, and on the shift to a less politically partisan stance. Mr Monks's modernisation strategy has few reliable allies in the big unions, while the

TUC's two biggest affiliates -Unison, the public service union, and the TGWU general union - remain consumed by splits between different internal factions. Further, some old fashioned

problems could be looming. Several unions are facing financial difficulties, nonmore than the heavily-indebted building union Ucatt, Mr John Edmonds, leader of the GMB general union, says the fortunes of the unions no longer rise and fall together and that it is now a question of tha

survival of the fittest". Another echip of the past could be a revival of strike action. Mr Jimmy Knapp, chairman of this years con-gress and leader of the embattled RMT rail union, is enjoy-ing strong public backing for his striking signal workers.

David Goodhart on attempts to update UK trade unions

But the relative popularity of unions may be because strikes are so rare. A renewed bout of militancy over wages, often predicted in the course of the recovery, could undermine the support unions have begun to enjoy. So, too, could possible large-scale disputes over compulsory redundancies at British Telecommunications or British Gas, which could cause

much disruption for the public. Worst of all for the future of the unions, there is no sign at the workplace that employees are turning to them for support in the face of increased labour market insecurity. Unions are failing to improve

their record in the recruitment of women or part-time workers. Only 21 per cent of parttimers are in unions compared with 37 per cent of full-timers, while the proportion of women workers in unions fell last year

workers in thiotis ten last year to 30 per cent.

There is also he evidence that amployees who are not covered by collective bargain-ing agreements are starting to ioin unions as an insurance policy, for legal balp and advice on subjects such as pen-

Despite these obstacles to renewal the unions are not completely helpless. They can look to two outside sources for help – the European Union and the Labour party.

The EU is already passing union-friendly legislation in areas from health and safety to

works councils for consulting workers. And although the EU's social dimension is not expected to produce much new legislation for a few years, there is still plenty in the pipeline for organised labour to welcome - despite the UK's opt-out from the social chapter. But for an actual increase in union membership, or even for an end to persistent decline, a Labour victory at the next general election is a necessity. Mr Tony Blair, the Labour leader has talked about treating unions as just another pressure group. He will be anxious not to play into the hands of a Conservative party which will point to the apparent tension between Labour's commitment to full employment and its union-inspired policies on minimnm wages and workers' rights. But a new right to represent workers, stopping short of full union recognition, is certain to appear in Labour's manifesto: That, would open the door for us to show that we

can help workers in difficulty,"
says Mr Kingonds, mij,
UK trade unionism may be a
pruned back plant but it is still waiting for fertilisation from

## FINANCIAL TIMES

### THE NUCLEAR INDUSTRY - INTO THE 21st CENTURY?

London, 14 &15 September 1994

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### LETTERS TO THE EDITOR

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## Weakness of European defence industry

From Mr Alain Deckers. Sir, Lex is right to argue that the consolidation of the US defence industry sets a challenge to Europe's defence industry ("Allied forces", August 31). Yet this trend has been ongoing for a number of

years, and the European defence industry's reply has been less than wholehearted. The fact is that it remains hopelessly fragmented, largely for political reasons. European companies which have under-

taken cross-border margers (Matra Marconi Spece, Eurocopter) have been slow to implement unified managecontinue to engage in endless negotiations before embarking upon them (British Aerospace Dynamics and Matra Defence). This compares unfavourably to US deals which are clinched in months not years.

Furthermore, the Groupement d'Interet Economique, which is so prevalent in the European defence industry, tends to perpetuate national reporting systems and duplica-tion of effort. While second and third-tier suppliers have fared third-tier suppliers have fared somewhat better, the picture in European defence R&D is equally incoherent, being dom-

ment structures while others continue to engage in endless negotiations before embarking tive projects with little or no twish to abolish article 223 of the Treaty of Rome and tive projects with little or no thereby give the European co-ordination among them. Previous attempts to provide

blueprint for a competitive European defence aquipment market, such as the Independent European Programme Group's 1988 Action Plan, have lacked any credibility since they did not include a supranational executive agency which could force national governments to act. Yet deregulation and rationalisation of the European defence agency are des-

perately needed. If European governments do Commission oversight over the defence industry, it is at least incumbent upon them to find an alternative organisation which could fulfil this role. The western European Armaments Group seems the only credible candidate, and steps in this direction need to be urgently revitalised. Alain Deckers.

postgraduate student, Programme of Policy Research in Engineering Science &

Perverse

argument

Technology, Manchester University M13 9PL

#### Lots of life at the English seaside

Sir, Michael Thompson-Noel is, as a travel writer, entitled Great Yarmouth ("The English coast and its bolidays from hell", August 27/28). However, I am surprised that you have allowed him to muddle these with what purports to be a

From Mr Procter Naylor.

business assessment of the state of England's tourism and He tells us that we have lost our soul to "naffness". The bits in between (the resorts) are "often occupied by drab cara-van parks". If he had bothered to go and look at these caravan parks and holiday centres he would have found a number of thriving husinesses and would have seen the result of many rs of steady investment by both national operators such as Pontins, Haven and Warner

and by private operators such as, in the Great Yarmouth

holiday parks he would have found a wide range of sporting facilities, indoor and outdoor swimming pools and, most importantly, a variety of evening entertainment that he would not have found at twice the price in France, Spain, Por-tugal, Italy, Greece, Morocco. Tunisia, Bermuda, the Caribbean, Australia, New Zealand, Fiji, the Philippines, Thailand, Malaysia, Mexico, California, Canada or even Scotland! Adele Biss, chairman of the British Tourist Authority and

hall. In any of these caravan

of the English Tourist Board, was right to highlight some of the problems that our holiday stry faces in her introduction to the ETB's annual report. I prefer this honesty to the over-optimistic messages put out by some of her prede-

area, Potters, Blue Sky (the Timewell family), Cherry Tree (the Marsh family), or Vauxcessors. There still could be a further contraction in hotel accommodation in resorts. But standards are improving. There is a need for more imaginative use of parasols, wind-breaks and deckchairs to make our beaches attractive in the way that the Belgians and the Dutch achieve with the same

But there is life yet in England's seaside resorts and Financial Times readers should be aware that there is still money to be mada there too! Mr Thompson-Noel would do well to reflect on what would be the effect on the national parks of the resorts closing down and all those who holiday there following him to the countryside. Procter Naylor,

managing director, East Anglia Tourist Board, Toppesfield Hall, Hadleigh, Suffolk IP7 5DN

#### Japan economy theory needs further analysis

Sir, Martin Wolf's latest theory (Economic Eye, August 29) that the way to have a successful economy is to run a large trade deficit with Japan would be more convincing if he had analysed the imports of countries like Singapore, Hong Kong and Malaysia to discover how much of these were semimanufactures from Japan to be completed with low cost labour and re-exported to the west. As it happens, the situation in

Malaysia appeared in your sur-

vey (August 30), in which it

was reported that typical prod-

the value added in Japan or the US, a balance which the Malaysians are trying to change. What this means is intermediary "Wolf-successful" countries merely provide cover for a Japanese trade surplus with the west which is even larger than the statistics show. His suggestion that "sophis-ticated econometrics does not eupport the belief that (Japan's) imports are smaller than might reasonably be

studies in depth on the ground

ucts have 60 or 70 per cent of tell quite a different story, as was demonstrated for the construction industry in 1990. Incidentally, I am disappointed to find that Wolf is not the sim-ple-minded free trader that 1 had always assumed, but a believer in sophisticated econometrics. This has the great danger of anbstituting a delight in the process for a hard look at the facts. No doubt he will be telling us next that the Japanese are not Keynesians, expected" also needs to be Peter McGregor. looked at critically, since Dacre Cottage

Languarth, Oxfordshire

#### Of course fiscal treatment is only part of the solution; the ability of quality information on investment opportunities is also crucial. That is what we are trying to promote. Peter Benton.

are strangled at birth.

Enterprise Adventure, The Enterprise Pavilion. London Square, Cross Lanes Guildford, Surrey GUI 1UG

#### Some hope

From Mr George D Mackenzie. Sir, is there any hope that if members of parliament are refused their proposed pay rise they may go on strike? George D Mackenzie, 11 Barony Park, Kelso, Rozburghshire

ja.:: 2 . . . EL WALL Alexander .

2 to .... Etc.

Section .... A 2 (1) . . . . . EMPS: 1

A Pa book a City BELT TIETHER THE \$ 125 Carried

Sir, The concluding para-graph of your editorial Venturing Capital' (August 30) sur-prised ma. "Generating more investment in small enterprises...cannot in itself be regarded as a same objective looks perverse, when earlier you point out some of the pecu-

liar problems that small companies face in raising funds. If the cost of due diligence is high in relation to the sums invested, surely that argues for an enhanced return after a successful investment? No one doubts the contribution that small business can make to the economy; it seems a pity that so many hopeful enterprises

#### FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700

Friday September 2 1994

every big confrontation in the international trade system, rang-

ing from trade in services to anti-

dumping, labour standards and

the environment. It is unclear that Apec's members would be better able to settle these differences in

regional negotiations when they have signally failed to do so in the Gatt. It is no less utopian to believe that the US will suddenly

drop its aggressive trade stance towards countries such as Japan

and China and agree to offer them

trade concessions as part of Apec-wide liberalisation.

But even if these daunting hur-dles could be overcome, would an Apec liberalisation programme

benefit the world economy, as the report's authors contend? Their argument rests heavily on the

claim that freer regional trade pro-vides powerful momentum at the global level. To the extent that

disputes between Apec members are responsible for thwarting

progress in the Gatt, they may have a point. Against that, the

One is that any meaningful

regional programme would

require a huge commitment of

government resources, and would therefore be likely to divert nego-tiating efforts away from the Gatt

and its planned successor, the

World Trade Organisation. The

other objection is that any liberal-

isation programme designed pri-marily to satisfy Apec members could become an alternative to the

Gatt. The consequences would be

all the more serious if the pro-

gramme aimed, as the report rec-

ommends, to tackle not only bor-

der obstacles but government

procurement and competition pol-

icy. Other countries which sought reciprocal trade agreements with Apec might then have no choice

but to accept rules dictated by the

At present, that remains 'a remote possibility. It is one that many of Apec's members – as well

as other countries - would also strongly resist. The experts' report

inflow of cash into the equity mar

ket. Yet because he retained the

support of small shareholders,

Lonrho was transformed into a perfect illustration of the thesis

advanced by the American aca-

demics Berle and Means, who

pointed out the consequences of

the divorce between ownership

In contrasting the situation in

the early 1930s with the days

when proprietors held enough

stock to exert proper control, Berle and Means showed that the

fragmentation of shareholding in

the 20th century had deprived

shareholders of power and influ-

ence. That was certainly tha case

at Lonrho, where earnings stage

nated between 1976 and 1987.

Today Lonrho has still not

returned to the level of earnines

achieved in the upturn that came to a peak in 1988. Yet Mr Rowland

Elsewbere this dismal perfor-

mance might have prompted insti-tutional pressure for boardroom

change, because the growth of col-

lective investment is helping close

the gap between legal ownership and control. Yet without enough

large shareboldings at Lonrho

until institutional interest

recently started to revive, this was

never a possibility. As for the

alternative discipline of the hos-

tile takeover, Lonrho is a highly

indigestible target. With so much of its profits in Africa, and a

marked difficulty in generating

cash flow, it would never have

been an easy business to refocus.

price on hopes of Mr Rowland's

enforced departure suggests that

the market regards Lourho as a

vastly more valuable prospect

without the man. Yet, historically,

potential bidders who have been

prepared to contemplate heavy

exposure to an economic disaster

zone like Africa have always wor-

ried about a uniquely African poi-

son pill: the possible dependence

of profits on Mr Rowland's per-

sonal relations with black African

leaders. The broad message, if

there is one, is that wider share

ownership entails weak account-

ability and poor corporate gover-

nance. The narrower indisputable one is that Mr Rowland is a spent

force in business, but not in the

The recent rise in the share

hangs on regardless.

Dismal performance

and control.

notion raises two objections.

Daunting hurdles

## Seeking a role for Apec

The 17 members of the disputes between Apec members Asia Pacific Economic Coopera are also at the heart of almost tion forum have been long on visionary declarations about forg-ing closer regional ties. They have been much shorter, however, on specific plans. This week, a panel of expert advisers sought to fill the vacuum with a blueprint for the long-term development of the

Under the rubric of "open regionalism", their report urges Apec leaders to commit them-selves at their November summit in Jakarta to the total elimination of trade and investment barriers in the region by 2020. The aim, they stress, should not be to create an inward-looking trade bloc. but to use liberalisation within Apec to promote the advance of global free trade, in conformity with the principles of the Gatt. The authors of the report are to

ba commended both for their forthright rejection of the notion of a "Fortress Apec" and for their drafting skills. In formulating their recommendations, they have had to bridge widely differing viewpoints among the organisa-tion's members. While the US and Australia are keen that Apec should develop into an active trade negotiating forum, that idea is opposed by a number of Asian members, including Japan and Hong Kong. Against this background, the government-appointed experts' unanimous agreement on the report's recommendations is

no mean feat,
Whether their proposed way forward is either politically feasible or economically desirable is, however, mnch more debatable. Impressive as the aggregate eco-nomic weight of Apec's members may be - accounting for half the world's trade and 60 per cent of its GNP - their diversity is more stri-king than their similarities. They include the US and Japan, the world's two richest economies, but also China and Indonesia, two of its poorest. The main distinguishing feature of economic relations within Apec is the dependence of most of its members on trade with the US, rather than with each

Big confrontation

} `

Trefusin

This is not an obvious basis for ambitious agenda. Their sensible regional trade liberalisation. It is course in Jakarta may be to settle made no easier by the fact that for more modest objectives.

Life with Tiny (cont)

It would be understating things to say that Mr Roland "Tiny" Rowland of Lonrho is an anachronism in the sanitised entrepreneurial world of the late 20th century. Despite the mushroom growth of rules, regulations and codes of corporate conduct he is still there. defiant, at the age of 76, even as the remuneration committees roam and the audit committees delve. Yesterday, despite reports of an impending boardroom coup, he emerged with his expenses uncut, his position intact and his life expectancy almost certainly enhanced. It is, of course, an act to which he has devoted some prac-

The directors who are hostile to Mr Rowland can console themselves with the thought that he is (probably) mortal. But they will have to hone their skills at corporate trench warfare if they wish to procure any other dénouement in the near term. For outside observers the question is whether there are wider lessons to be drawn from the continuing sage sur-rounding this most durable of

maverick entrepreneurs. That seems doubtful because Lonrho is sui generis, even if Mr Rowland is not. But it remains worth asking how the man who built up this huge international conglomerate has been able to run it down again over such a protracted period without anyone pre-empting the process. It is not as if Mr Rowland has had a controlling interest in the company. Yet he has had a remarkably free run in capital markets where the penalties for poor performance have grown harsher in recent years. If he is now under threat from his fellow joint managing director and chief executive, Mr Dieter Bock, it is only because he himself chose to bring him into Lonrho as a potential successor.

Straight eight

One explanation for Mr Rowland's laissez-passer stems from the outcome of the earlier, notorious boardroom row in 1973, when the so-called straight eight directors failed to unseat him over several issues of corporate governance including excessive expenses. From then on Mr Rowland became a pariah with the big investment institutions, the insurance companies and pension funds responsible for most of the net

f you want to know the time ask a policeman, advised the old music hall song. How things have changed. Telling people the tima is not

an activity requiring the commit-ment of expensive, highly trained police. Neither, the UK government may be about to conclude, are more important activities such as checking fingerprints, tracing missing persons or monitoring automatic speed-check equipment.

The Home Office is currently completing an internal review of specific policing functions as part of the government's review of public expenditure. Although ministers say this will not necessarily lead to changes in police responsibilities, the service is not convinced. Officers suspect the review will prove the prelude to market testing and the transfer of "ancillary" tasks to the private or voluntary sectors.

Events have not awaited the review's completion. Last week's announcement by Wandsworth council in London that it was considering extending its uniformed parks patrols to housing estates has sparked debate about the appropriateness of assigning policing duties to individuals who lack the training and status of police officers.

Controversy over Wandsworth's plan is in the detail - specifically its suggestion that patrols, with the powers of constables, should be sworn in by magistrates - rather than the substance. The Association of Chief Police Officers said patrol-ling was "one of the most difficult jobs which police officers are asked to undertake" and should not be attempted by under-qualified indi-

Several local authorities bava, without arousing opposition, begun using uniformed personnel to com-bat crime, while private security staff are increasingly deployed on guarding activities that bring them into contact with the public.

Completion of the review may mark the beginning of a government attempt to formalise such activities. But such a move would face practical hurdles that could, surprisingly, include reluctance of leading private security companies to take on duties that the government might want to offload. Other problems include donbts

among senior police officers about the ability of the private sector to give an adequate service and political arguments about taking police activities out of the state's hands. Reputable security companies believe that the opportunities created in a fast growing sector are leading to an influx of "cowboy"

operators whose disreputable, or incompetent activities, reflect badly on the entire industry. on the entire industry. .The UK market for private security already one of Europe's biggest, is growing with the introduc-

Alan Pike says fast-growing, unregulated security groups are causing concern in the UK industry - and the police street patrols run by local authorities, community groups or private security companies, operating under the direction of the regular

## Hot under the collar of the law

tion of private management of pris-ons and rising demands for security guards at shopping malls, industrial estates and other locations.

According to a study last month for the Economic and Social and Research Council, the sector employs at least 162,000 people. This would make the sector as big in employment terms as the police. The core security guarding market

is worth about £1bn a year.
Information is short because the industry lacks statutory regulation. Anyone with a van, a mobile tele phone and a convincing looking dog can set up a security company. Cynics add that a criminal record is no

Reputable companies deplore the absence of regulation. The British Security Industries Association, which represents most of the leading operators, senior police officers and opposition MPs all support statutory regulation and licensing of security companies.

The government has rejected

such demands for action. It prefers self-regulation and has told industry representatives that licensing would favour bigger companies and so be anti-competitive. It is not con-vinced that "cowboys" are more prevalent than in any other sector. Leaders of the industry may, however, insist on regulation to control rogue operators as the price for taking on any police duties. Even with statutory controls,

some security company managers share chief constables' reservations about the implications of transferring police work to the private sector. Mr David Dickinson, director of security company Group 4, told the Association of Chief Police Officers last month that the role of security companies must be confined to crime prevention and not stray into the area of law enforcement. He fears that the public would fail to understand a blurring of the edges between companies such as his and

Setting a limit on the role of security companies would, however, allow scope for imaginative develop-ments in joint working between the public and private sectors. Some police forces, Mr Dickinson says, already employ private security companies to guard their own head-



quarters. He suggests the police should consider whether to spend some of their budgets on buying in preventative uniformed patrols in the community under the total con-trol of the chief constable".

Chief constables' control is likely to emerge as a central theme in the police service's response to any government attempts to introduce a greater private role in policing.

The service is unhappy about the prospect of two-tier policing - it holds passionately to the view that whenever a police officer walks along a street he or she might be confronted with any number of emergencies, and must be trained and equipped for them all. But if the private security industry won

would put pressure on chief constahles to become managers of a "mixed economy" of policing.

They could, in a pattern becoming increasingly familiar in the public sector, retain overall responsibility for activities carried out under contract by other agencies. There is a precedent for this: chief constables are now responsible for the management of large numbers of civilian staff recruited in recent years to relieve police officers of behind-thescenes support duties such as running control rooms.

A "mixed economy" approach statutory regulation, police configuration and the Policy Studies wear the uniforms of the pence in it would increase. That institute it raised the possibility of Securicor or the local council.

police. Such support groups could, suggested the inquiry, relieve the police of administrative burdens such as delivering summonses or

such as delivering summonses or making inquiries about under-age drinking in public bouses.

The inquiry's ideas have alarmed the Police Federation, which repre-sents the rank and file. "It is esti-mated that the police service costs about 31p a day per head of popula-tion," says Mr Fred Broughton, its chairman. "By raising public spending by a few pence per head, it would be possible to put more police officers on the streets. They would be real, fully trained officers capable of dealing with everything that arose, unlike the alternative patrols that are being considered."

he federation scorns the idea of substituting police officers with lower-cost replacements; but Britain's police stations that some chief constables, who are about to become more accountable under fixed-term contracts, may be attracted to it as a means of trying to meet and finance public demand for more street patrols.

As last week's reaction to the Wandsworth plan showed, transfer-ring police duties to other providers generates ethical and constitutional been a obstacle before in the government's law and order policies. The introduction of private prison management was not halted by the argument of opponents that only state employees, untouched by the profit motive, should be allowed to leprive individuals of their liberty.

Having failed to deflect ministers on that issue, critics could not with equal seriousness claim that it would be an outrage for charities to become responsible for lost dogs, or private security companies or motoring organisations to escort wide loads along motorways.

But the argument does not end there. Those activities most suited to contracting out - from lost property to routine patrols - are the ones that bring ordinary citizens into most contact with the police service. Take them away, and where does it leave the regular, front-line police? As an increasingly remote, heavily armed, centrally deployed force, say critics - some of them in the police service itself.

This raises big constitutional questions. Yet they may not be heard amid the clamour from a pubwas proposed last month by an -- lic that wants more visible protecindependent inquiry into police tion from burglars, car thieves and roles and responsibilities initiated "mnggers, and is not particularly by two academic bodies, the Police concerned whether the protectors Foundation and the Policy Studies wear the uniforms of the police,

#### Angus Foster on a Brazilian habit that is part inducement, part consideration, part bribe

offers Apec leaders an extremely here is a word newcomers to Brazil learn quickly. It makes them flinch at first; later it triggers a bead of sweat, and then it brings on a nervous laugh. It is used sparingly, even by long-term residents, because they sense its ability to strip away an outsider's defences and launch him, naked, into the

cauldron of Brazilian culture. mula for poison it is harmless unless you know what it means. It is a way or scheme to get around (rather than confront) a problem in Brazil. It can involve exchanging favours or outright bribery. And in

Assume you have arrived in Brazil and want a telephone line. If you approach the local telephone company, its officials will merely laugh. The waiting list is a couple of years long, by which time your posting will have ended. Your options are to keep your sanctity but go without a telephone or, you are told, there is a jeito - you can "buy" a black market line for about \$3,000.

The next problem is to get the service working. Your local tele-

## Just junk the jeito

The word is jeito and, like a for-Brazil there are a lot of problems.

phone company is happy to activate

small jeito. But to install the actual telephone, the best jeito is to use a private company, which usually means an off-duty phone engineer.

Now comes the tricky bit. The

off-duty engineer who installed the telephone is not allowed to link your telephone to the activated line. The only way to get it linked is to call another, on-duty engineer and to pay him a jeito to go off duty momentarily while he overlooks the fact that your line is black market and makes the connection. If this scenario seems unlikely,

let's just say it happened to a

The jeito operates in almost every field of Brazilian life and often crosses into nepotism or corruption. Those in government dispense jeitos to friends and relatives, helping them find ways around the bureaucracy and to get jobs. Some argue Brazil's entire political system, based on regional alliances, would be paralysed without the flows of favour and patronage between the capital, Brasilia, and the provinces. No one knows how it started.



would be missed

Some say the jeito was travelling below deck when the Portuguese arrived nearly 500 years ago. Others argue it grew up in Brazil, where circumventing colonial law was crucial, given the size of the country and the many weeks it took central government to relay decisions. A third school sees the jetto as a Brazilian cultural icon, a fusion of the Portuguese and west African

OBSERVER

affinity for compromise. Tha jeito may appear harmless abroad, from where it can be shrugged off as an endearing, faintly exotic aspect of Brazilian life. And it has many supporters in Brazil who argue it would be a less interesting country if it emulated northern European morality. Even the most sanctimonious foreigner soon learns that jeitos seem less naughty the more they are used.

But the time has come to abolish the jeito. This is partly because it is out of date. Since Brazil's return to democracy 10 years ago, the popula-tion has been demanding more transparency from public officials. Both the front-running candidates for this year's presidential elections hava, for example, had to dump their running mates over allegations that they used one jeito too many for personal profit while members of the senate.

But the main reason to ban the jetto is that it, together with high inflation, forms part of a way of life which has corroded Brazil's social fabric for decades. Indeed, one particular jeito can be seen as a leading cause of Brazilian inflation. Successive generations of politi-

cians abrogated their responsibility to control spending and price rises. They did so by, among others, try-ing to protect wages through the jeito of raising pay in line with inflation indices. As the rise in the indices accelerated, increases in wages and other prices became bigger and more frequent, exacerbating the inflationary mess. In June this year, the monthly inflation rate

exceeded 50 per cent.
Brazil is now tackling its inflationary legacy. A new currency launched in July, called the Real and linked to the US dollar, has led to a sharp drop in price rises.

Much remains to be done, includ-ing overhauls of the tax and social security systems. But the start has been msde, and Brazil finally appears ready to cast off the stigma of being the last large Latin Ameri-can economy to hring inflation under control.

It will only succeed, bowever, if it sticks to the difficult task of limiting spending and punishing corrup-tion. It must also refrain from the temptation to get round today's problems by finding another jeito.

#### Hanson goes exploring

■ Rarely does a humble hack get to fly in one of Lord Hanson's helicopter licet.

But yesterday Observer temporarily joined the elite, visiting Air Hanson's swish base in Surrey, for the launch of a new and rather special McDonnell Douglas chopper.

A technologically impressive beast, the MD Explorer will be distributed in the UK and elsewhere by Air Hanson. Its big novelty is the lack of a tail-rotor. Given that 20 per cent of helicopter accidents are caused by the tail-rotor, which is also a very noisy component, it should be a big selling point.

With no tail-rotor, US police and military can sneak up on the bad guys, at a price-they like, with running costs of \$375 per hour against a minimum of \$500 for tail-rotor competitors. How come nobody has thought of it before? Ah, but they have: "I saw some photos of a Russian trial version

back in the 70's, but nothing since then," says an MD executive. Of course, the proof of the pudding is in the eating. Sadly, Observer can't tell you just

how quiet the Explorer is since yesterday's chopper flight was grounded, thanks to a missing vital However, McDonnell Douglas has

promised Hanson that the rogue

week's international air show at Farnborough.

**Tipperary** 

■ It gives a lift to any theatre when the prime minister turns up in the audience. So it was on Wednesday when John Major, accompanied by wife Norma, slipped into the National Youth Theatre's revival of Joan Littlewood's Oh What a Lovelu

A symbolic choice, perhaps, given the coincidence with the IRA's ceasefire. Littlewood's piece begins with a flush of nationalism at the outbreak of the first world war, but ends with a popular rejection of war of any kind.

Pearly king

■ Is an interesting culture change imminent at Time magazine, the weekly flagship of the Time Warner

Norman Pearlstine, former executive editor of the Wall Street. Journal, is being tipped by the New York Times to take over as editor in chief of Time Inc, the parent of Time, Fortune, Sports Illustrated, and People.

Pearlstine has interesting social and personal connections. His third wife, Nancy Friday, has made a career from writing up (anonymous) sexual fantasies. Her My Secret Garden (1979) regaled us



of balaclava, Eamonn?

Men in Lane (1980) crossed the gender divide for the same purpose. Francis Dealy, in his entertaining book The Power and The Money, Inside the Wall Street Journal quotes Pearlstine saying to him that Nancy had "emotionally

emancipated" him. Pearistine is far too glitzy to be mistaken for another Henry Luce. Even so, Time hacks might welcome his arrival if he puts a stop to the long running rumours that the mags are up for sale. Indeed, Dealy reckons that when

Pearlstine took over as managing editor of the WSJ, in the first 10 months he incurred \$11.4m in mexpected salary costs, by hiring 143 new staff instead of the Dust off those CVs. .

Peace n' pizza

■ You can't fault the Italians for entrepreneurial spirit. With the ink hardly dry on the IRA's ceasefire announcement, the FT's Milan office was rung up yesterday by one would be fast food magnate. The caller, currently employed by Japanese bank, was wondering how she and her husband, who works in a TV repair shop, should go about setting themselves np in

Belfast to sell focaccia - a northern Italian pizza-like dough - to the peaceloving inhabitants. As it turns out, Sonia Palatto and Marco Di Fiore had already decided Belfast was the place for them,

ceasefire or no ceasefire, and were preparing to chuck in their jobs and indulge their passion for cookery. "We just went there on holiday and loved it," explained Palatto.

Native's return

Love him or hate him, Ian Kerr, who penned L'Eminence Noire for the pages of international Financing Review, the bible of the Euromarkets, brought a biting wit to the antics of friend and foe. Since April, when he was lured to rival Euroweek, there has been something of a void at the staggeringly expensive (£2,000 plus

per annum) yellow-jacketed weekly. Re-enter Peter Krijgsman, 39, former editor-in-chief of IFR, who left last autumn, and has now been rehired as a humble tittle-tattle recycler. Unlike Kerr, who had headed fixed income research at Kidder Peabody, Krijgsman has never seen the market from the inside. A some-time diarist at Accountancy Age - "funnier than it sounds" - he has his contacts bowever, not least Kerr's enemies from whom he would hear faithfully

every Monday morning at IFR. But he will have a hard act to follow in the bitchiness and snohbery stakes, not to mention matching Kerr's penchant for coining nicknames which stick. CS First Boston's Alan "Weetabix" Wheat, his spouse Mrs Shredded Wheat, and Christopher Robin (the gangly new London boss of UBS David Robbins) are just a few of the big cheeses who have been rechristened by Kerr.

Even so, if Kriegelburger focuses on the current movers and shakers, rather than yesterday's men, he should be able to mine a tolerably untapped seam.

Veggie-burghers

■ Norwegian judges have deemed it insulting to call a police officer an onion, fining a motorist NKr4,000

for having done so. Maybe the criminal should have opted for safety and simply called



## FINANCIAL TIMES

Friday September 2 1994



Japanese group to set up Chinese parts centre

## Toyota signals plan to build vehicles in China

By Michiyo Nakamoto in Tokyo

Japan's iargeet carmaker, yesterday gave the strongest indication yet of its interest in setting up vehicle manufacturing operations in China, amnouncing that it would establish a support centre for

component suppliers there.
The news came as Mr Tatsuro
ToyodaToyota's president, flew to Beijing with other senior executives of the company on a five-day tour to strengthen ties with China and investigate the mar-

Mr Toyoda, will discuss the plan for the support centre with the Chinese government and

The centre is being set up in response to calls by the Chinese government for foreign manufacturers to help the country develop its vehicle parts indus-

In July, China announced a moratorium on all new vehicle manufacturing facilities until 1996 and invited foreign companies to extend support in build-

By Philip Coggen, Economics Correspondent

official rates unchanged.

Pessimism on the future

direction of interest rates

affected world financial markets

yesterday, in the wake of poor price data in the US, strong out-

put figures from Germany and a

Bundesbank decision to leavs

Bond and equity prices fell in Germany, while in the US, long Treasury bond prices and the

Dow Jones Industrial Average

drifted lower in early trading. In London, the FT-SE 100 Index

closed 34.8 points down at 3,216.5.

bullish mood with many inves-

tors believing that interest rates

had further to fall, particularly in

Europe. But the Federal

Reserve's five increases in inter-est rates, allied to the unexpect-

edly strong rebound in European economies, has gradually made

investors less optimistic about

Equity markets started 1994 in



Toyota's ties with China

The establishment of a supplier support centre, where Toyota engineers would extend technical assistance to parts suppliers, is not in itself a big commitment by Toyota to the Chinese market. However, the move reflects Toyota's interest in setting up manu-facturing facilities in China once

World stock prices fall on

worries over interest rates

the scope for further European

Some countries, such as Swe-

den and Italy, have been forced

to raise rates and in others, such

as Britain, it is clear that the

next move in rates will be

Most analysts had expected the

Bundesbank council at its fort-

nightly meeting yesterday to

leave official rates, including the

repo rate, unchanged. Neverthe-less, figures showing that Ger-man industrial production had

risen by a monthly 2.2 per cent in

who believe that German rates

are very close to their bottom.

The Frankfurt Dax equity mar-

ket index closed only 12.05 points

down at 2,200.80, but dropped fur-

ther in after-hours trading once

the August US National Associa-

tion of Purchasing Management

those showed a fall in the overall

data were released. Although

the moratorium has been lifted "It is a step looking towards the future and our ambitions for the Chinese market," a Toyota representative said yesterday. The company is considering setting up a joint venture manufacturing facility in China,

Toyota soid about 50,000 vehicles in China last year, or a quarter of all Japanese vehicle sales in China and just over 3 per cent of the Chinese market of

vides technical assistance to a bus manufacturer in Shenyang and an affiliate Daihatsu Motor. extends similar help to a passenger carmaker in Tianjin.

Toyota has been elow to express an interest in manufac-turing in China. It was not among a handful of foreign car companies - including Peugeot Volkswagen and Chrysler which set up joint ventures in China while such investment was

still open. However, Toyota says it now feels the market has potential for local manufacturing.

the pace of economic growth, the

prices component rose to its highest level since August 1988.

Any sign of future US inflation

raises fears that the Federal

Reserve will push for further

By 1nm New York time, the

Dow Jones Industrial Average

had fallen 10.69 to 3,902.73. Com-

bined with a fall in Treasury

bond prices, the result was down-

ward pressure on the dollar, which fell against both the yen

and the D-Mark in European

The early fall in the Dow also

depressed European stock mar-

kets, with the CAC 40 index clos-

ing 34.17 points lower at 2,034.91.

The French market is still suffer-

ing from the decision by four

French banks this week to

increase their lending rates.

increases in interest rates.

for bank capital adequacy ratios did not explicitly cover this kind of derivative contract. But many national bank supervisors, including the US, have informally allowed banks, when calculating exposure, to use the risk weighting applied to exchange rate contracts, which is 1 per cent for less than one year and 5 per cent for longer maturities.

risk weighting.

In calculating risk, equitynotional principal for maturities under one year, 8 per cent for one to five years and 10 per cent for longer terms. Other precious metals would be weighted at 7 per cent for maturities up to five years and 8 per cent for longer. Other commodities would be weighted at 12 per cent up to five

London Stock Exchange, Page 31 World stocks, Page 38 years, and 15 per cent for longer.

### US seeks to sharpen rules on risk from derivatives

By George Graham in Washington

US bank regulators are proposing new capital adequacy rules to take account of banks' exposure to risk from their holdings of derivatives, which are coming under increasing scrutiny in

Washington.
The Office of the Comptroller of the Currency, which regulates nationally chartered banks, yesterday published the new rul for a two month comment period, and the Federal Reserve Board has also proposed similar rules.

An OCC official described the

proposals as a "refinement", but said they could require banks to hold more capital to offset the risk of some of their holdings of derivatives, such as futures or mortgage-backed securities, whose return is derived from another security or index.

The new rules would change the formula which estimates exposure, by converting the notional principal amount of derivatives contracts into the equivalent of loan exposure, and would sharply increase the risk weighting for contracts linked to equities, precious metals other than gold, and commodities. Earlier international standards

Under the new rules, gold would still use this formula, because its volatility is estimated to be comparable to foreign exchange contracts, but other contracts would have a heavier

#### THE LEX COLUMN

## Tiny escapes again

One cannot fail to admire Mr Tiny Rowland's ability to prevail in boardof the campaign to oust him as one of Lonrho's chief executives leaves out-side shareholders in an uncomfortable position. The company now faces the possibility of a long power struggle between two rival chief executives. Mr Dieter Bock, the other chief executive, may hope that Mr Rowland will retire after a decent interval. But there can be no guarantee that, having won yesterday's skirmish, he will now vacate the battlefield. Mr Bock himself stands accused of

poor judgment by mounting his attack against Mr Rowland at this time. He clearly over-estimated his chances of winning. It would have been better to wait two months until the balance of the board had shifted further in his favour. It is hard to see how the two

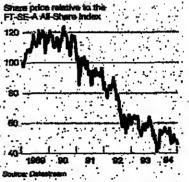
men can now work together.

The main damage to shareholders is that Lonrho's corporate strategy will remain unresolved. There is signifi-cant potential to enhance shareholder value by streamlining Loutho's raging of businesses. Mimority stakes in some of the African operations could be floated to reveal the full value on the group's assets. Alternatively, busi-nesses could be completely demerged or sold to trade buyers. Some analysts believe the group's break-up value is 180p-200p a share, compared with last night's close of 143p. Mr Bock, a trader of assets at heart, seems keen to embark on some such programme. But so long as Mr Rowland still wields power at Lomho, radical restructuring

#### Ladbroke

The warm glow of approval for Ladbroke's new open management style has already dissipated. The shares have lost all the ground gained early in the year following Mr Cyril Stein's decision to cut his links with the group he created. It is not that Mr Peter George, the chief executive, has drifted back into the bad old ways. Yesterday's half-year figures were a model of clarity. The trouble is that a clear view of trading prospects is hardly uplifting.

The performance of Hilton hotels is especially disappointing. Even allowing for economic recovery in continen-tal Europe, it will be a long time before Ladbroke sees a decent return the CLSbn capital business. That is not to deny the FT-SE Index: 3216.5 (-34.8) Ladbroke



logic of its marriage to gaming within the Ladbroke empire. The group'e modest move back into casinos could create additional synergies. But neither hotels nor gaming is likely to deliver the kind of earnings growth the stock market was anticipating ear-

her in the year. This might explain Ladbroke's decision to invest in the Texas DIY chain rather than look for a mick sale: Even modest margin improvements on Texas's £700m annual sales would add pep to group profits. Optimism on that score - and the prospects for early realisation of the remaining £600m property portfolio - should limit the downsids for the sbares. But it is difficuit to see that Ladbroke brings much. to retailing in the longer term. The sooner Ladbroke places its bets firmly on hotels and leisure the better.

#### Reckitt & Colman

Since the European rationalisation programme announced by Reckitt & Colman yesterday is its second such initiative in under five years it is debatable how "exceptional" the related £56m provision really is. The fact that the company was vague on details only added to the impression that it was part of an on-golding incress.
True, the previous operation was carried out before the group acquired Boyle-Midway in 1990. But that suggests it has taken the group rather a long time to identify opportunities to rationalise manufacturing and distri-bution. It is tempting to conclude that the programme is a reaction to the

The fall in European profits was dis-

appointing when compared with Uni-

be put down to recession, the signs of switching to own-label products raise questions about the eventual impact of economic recovery. In North Amer ica consumers are not returning to previous spending patterns in a hurry while competition in the supermarks emains intense. That in turn throws doubt on Reckitt's confidence that it can continue to increass margins which have now topped 16 per cent.

par's offspring

roduce growth

Even if it continues to grow well in Latin America and Asia the group out-look is dull unless it can restart sales. growth in the mature economies Against this background it would be surprising if Reckitt were not looking at large potential acquisitions like Eastman Kodak's household products business. But only the chance that Reckitt itself might become a target justifies the stock's small premium rating compared to Unilever.

#### Body Shop

The much-heralded US article on the Body Shop contained no shockers. The main categories of criticism had already been leaked. True, a lively debate over whether the detailed charges are accurate looks set to rage for some time. But the City has come to the conclusion that the criticism will have precious little impact on the business. A few so-called ethical share-holders may expect purity from the Body Shop. But most do not. If ethical investors sell out, others will pick up their shares at a bargain.

The City will only worry if Body Shop's image is so tarnished that customers stop buying its products. So far, it has taken the view that they will not. Squabbles with franchisees and a few shampoo spillages are unlikely to turn people away from Body Shop. Most customers are attracted by its bright colours and powerful aromas

20.00

200 ...

re writer to earn could

Milita profits 24".

Zes in this laxue

This is not to say that Body Shop cannot learn lessons from the saga. In a moment of pique, Mr Gordon Roddick, who with his wife Anita founded the Body Shop, said that maybe they should "no longer even try to be remotely ethical". Reflection will show that this is not the lesson. Companies like individuals, should behave ethically, though the exact definition of such behaviour is open to debate. The lesson is rather one of presentation. Those who proclaim their virtue as energetically as the Body Shop has leave themselves wide open to criticism if they make the slightest slip.

#### Media rules

#### Continued from Page 1

other it needs to safeguard cul-tural pluralism. and diversity. Even if the Commission succeeds in winning support for draft leg-islation, it would still be up to member states to decide whether to proceed with a new EU directive. The European Parliament has, however, thrown its weight

#### US and N Korea arrange new talks

**FT WEATHER GUIDE** 

Continued from Page i

The talks are a preparatory step to the resumption of high-level bilateral negotiations, which will begin on September 23 in Geneva and are intended to achieve a final settlement of the North Korean nuclear dispute. South Korean officials

China in the early 1970s.

expressed concern that North

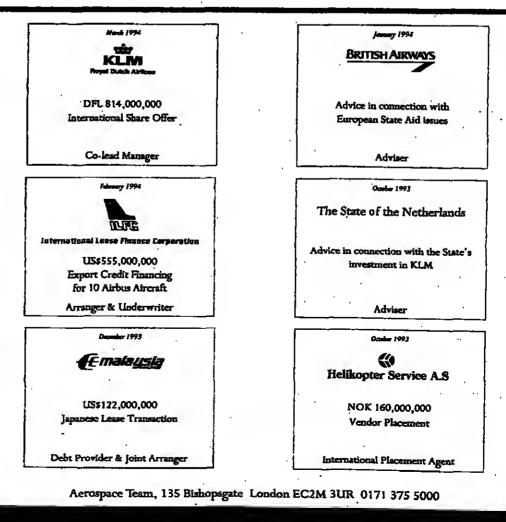
Korea had already won a diplo-

matic victory by persuading the US to hold discussions about the establishment of relations in the North Korean capital. The opening of liaison offices was used by the US to establish links with

There are signs of increased the US on the proposed settle-ment of the nuclear issue. Some officials in Seoul, worried in case out, are criticising the US for rushing towards an agreement with North Korea.

Meanwhile, Mr Kim Pyong-il stephrother of Mr Kim Jong-il, said that the latter would shortly take formal power in North Korea, as the official assumption of leadership had been delayed because of an extended mourning period for his father.

## NatWest Markets, Experts in Aerospace .....





#### Europe today Torrantial rain followed by frequent

showers will move into the Alps, north Italy and south-east France. North and north-west Italy may have floods tonight. More rain and thunder showers will move along a cold front from Austria to southern Scendinavia, spreading to the Baltic states in the afternoon, England and Scotland will be mostly sunny, but there will be cloud and rain in treland. Afternoon temperatures will ach about 30C in the Balkans, Greece and parts of Turkey.

#### Five-day forecast

The central Mediterranean will remain unsettled during the weekend, but the heaviest showers will be confined to central italy. High pressure will bring calm and mild conditions to France, the Low Countries, central Europe and the Alps. The UK will have light rain and sunny intervals. Temperatures in southern Spain will reach 38C.

Gardiff
Casabla
Chicago
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We can't change the weather. But we can always take you where you want to go. Lufthansa

Wind speed in KPH

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#### **FINANCIAL TIMES**

## **COMPANIES & MARKETS**

OTHE FINANCIAL TIMES LIMITED 1994



#### IN BRIEF

#### Daf's offspring produce growth

Dutch and UK truck companies created out of the collapse of the Daf group last year are increasing their profits and making a first significant investment in a new range.

Leyland Trucks Manufacturing, the UK truck maker says it will spend £25m (\$38.25m) to design and develop a medium-sized truck range. Most of the new vehicles will be for delivery to Daf Trucks, the Dutch truck maker. Page 20 18

Body Shop exposé fails to shock The long-awaited article that has helped trigger controversy over the image of Body Shop International, the cosmetics and toiletries group, was published yesterday to the bemusement of investors and ethical researchers. Some commentators expressed doubts about the potency of its revelations, while Body Shop flatly rejected its contents.

Amoor shrugs off competitive markets Profits at Amcor, the Australian paper and packag-ing group, rose to A\$336.9m (US\$25im) in the year to June, despite fierce competition. Page 20

Western Wining falls 28% Western Mining Corporation, the Australian mining group, reported a fall of 27.8 per cent in equity-consolidated profit after tax but before abnormal items to A\$119.7m (US\$89m) in the year to June. Page 20

Net Income up at Sandoz Sandoz, the Swiss pharmaceuticals, nutrition and chemicals group that has just acquired Gerber Food Products of the US, raised net income 2 per cent in

the first half to SFr1.01bn (\$760m). Page 19

Canadian banks ahead in third quarter Canada's two biggest banks, Royal Bank of Canada's and Canadian Imperial Bank of Commerce, posted sharply higher third quarter earnings, driven by strong lending activity, rising fee income, tight expense control and lower loan losses. Page 19

Speculation persists around NBC Speculation about a possible takeover of the NBC television network continued after a senior NBC executive failed to issue an outright dental that General Electric, NBC's parent group, may sell all or part of the network to Time Warner. Page 19

Telefónica rises at halfway Telefónica, the state-controlled Spanish telecommu nications group and the biggest company on the Madrid stock exchange, lifted first-half consolidated net profits by 4.7 per cent to Pta52bn (\$397m) on the back of increased demand, lower financial charges and increasing international business. Page 19

Rolls Royce lifts profits 29% Rolls-Royce, the aero engine and industrial power group, yesterday reported a 29 per cent rise in pre-tux profits for the first half of 1994 despite a 14 per cent decline in sales. Page 22

**Patchy report from Vickers** Shares in Vickers fell 7p to 188p yesterday after the engineering group, which makes tanks and Rolls-Royce cars, said it was seeing only a patchy recovery. Page 22

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Friday September 2 1994

## ABN Amro goes global with Hoare Govett

By John Gapper in London and Ronald van de Krol in Amsterdam

Hoare Govett, the London stockbroking firm acquired by the Dutch bank ABN Amro two years ago, is to be renamed ABN Amro Hoare Govett as part of the bank's effort to create a global

investment banking arm.
ABN Amro, the seventh largest European bank, is to use the name for all its equity broking. fixed income and corporate

world provided that it can overcome regulatory burdles in some The bank has been building a

network of brokers in Europe, including the Irish firm Riada Stockbrokers, CIMO in Milan, and Massonaud-Fontenay-Kervern in Paris. Along with the bank's own broking operations, these may be re-named next year.

The use of both names is similar to the strategy used by Union Bank of Switzerland when it

finance operations around the acquired the broker Phillips & Drew in 1989. The London investment banking arm was known as UBS Phillips & Drew until it was re-named UBS this year.

However, ABN Amro's board has decided to extend the Hoare Govett name to fixed income and corporate finance operations because it regards it as a stronger international brand name than its own, which was created in a merger in 1990.

ABN Amro is keen to ensure that Hoare Govett's relations

with London merchant banks are not affected by the use of the name for corporate finance activ-ities. The London corporate broking arm will still be known as Hoare Govett.

Mr Rijnhard van Tets, ABN Amro's board member for global investment banking, said the change of nama was intended to underline ABN Amro's commitment to the creation of a global network for underwriting and

selling securities. Some 40 per cent of the assets corporate banking in the Netherlands, are outside its home country. It has a strong presence in the US through the La Salle group in Illinois, and European

American Bank on Long Island. ABN Amro started running its equity operations from Hoare Covett in London this year, and is now trying to build up its European corporate finance business. The use of the combined name ABN Amro Hoare Govett could be used for marketing purposes later this year. But it is thought that the bank could have regulatory difficulties in adding Hoare Govett to the name of its US broking arm.
Although the fixed income and

corporate finance arms will still be run from Amsterdam, ABN Amro wants to expand corporate finance operations in London. It will provide finance advice and equity underwriting for large European companies. The bank also plans to expand its broking

## BASF's drugs arm turns to German generic market

By Christopher Parkes in Frankfurt and Paul Abrahams

BASF, the German chemicals group, is attempting to revive the fortunes of its Knoll pharmacenticals division by diversifying into non-patented generic drugs to the German market.

A new distribution and marketing company, RASF Generics, will start operating early next year aiming to generate DM100m (\$63.3m) in sales before the end of the decade.

Talks are also under way with potential partners, indicating further likely moves, possibly into other markets.

Knoll recently bought the rights to around 80 out-ofpatent drugs from Hexal Pharma, one of Germany's leading generics makers. It also took an option on a further 80 which are expected to be licensed for

use in Germany soon. The creations of BASF Generics is the biggest step yet in a strategy developed at the end of last year, when Knoll reported its first loss, of DM6m on sales of DM2bn. A fall of more than 40 per cent in US earnings was blamed on price pressure from

ing and largest market for nonpatented generic medicines in Europe, accounting for nearly 40 per cent of the \$4.85bn market. according to a recent report\*.

In 1992, generic drugs accounted for about 29 per cent of all German prescriptions, making the sector worth about 22 per cent of all prescription sales at about DM2.67bm.

BASF is the last of Germany's big three chemical groups to gain a foothold in generics. In March, Bayer spent \$130m on a 28.3 per cent stake in

Schein, a privately-owned US group. That followed last year's \$546m purchase by Hoechst of a 51 per cent stake in Copley Pharmacenticals, another US

Earlier this year US group Bristol-Myers Squibb acquired a 25 per cent stake in Azupharma, a German generics subsidiary of Gehe. In June, Merck, the German group, announced its intention to acquire a 51 per cent stake in Amerpharm, an international generics company based in the Netherlands.

\*Generic Phormaceuticuls: implications for the global pharmaceuticals industry, Financial Times Business Information; 071

Germany is the fastest-grow- Lex, Page 16 Ladbroke's gamble



Peter George, chief executive of Ladbroke, the UK gaming group, bets on a £50m casino deal after an 11 per cent fall in profits. Page 18

## Computer shares fall on AST warning

By Louise Kehoe in San Francisco

Computer shares on Wall Street fell yesterday after a profit warning from AST Research, the world's fifth largest personal computer maker, prompted con-cerns about a possible slowing of growth in PC sales.

At midday yesterday shares in AST had fallen \$4%, or 27 per cent, to \$13% after the computer maker said it expected to report a net loss for the current quarter and break-even in the second quarter. Compaq Computer, the PC market leader, was off \$2% at \$35%, while Apple Computer shares declined by \$1% to \$35 and IBM was trading at \$67%, down

AST pointed to delays in new product introductions and recent sharp price cuts by Compaq, IBM and Digital Equipment. "We have encountered several unanticipated product development delays, component constraints and delivery issues," said Mr Safi Qureshey, AST chairman and

Price cuts by competitors have forced AST to make "significant price reductions on existing products to protect market share, as well as new product introduc-tions which will have to be priced more aggressively than originally planned", be added.

Just a month ago, AST reported record results for 1994. claiming sales growth of four times the industry average. Revenues for the year were \$2.4bn, up from \$1.4bn, while net income was \$53.5m, or \$1.59 per share, compared with a net loss after restructuring charges of \$53.7m, or \$1.72 per share. Rumours that Compaq, the PC

market leader, was trimming orders for PC components also fuelled concerns about PC sales. Compaq, however, said that changes in component orders were not unusual and did not reflect any change in the company's outlook on the PC market. Dataquest, a California market research firm, yesterday reiter-ated its forecast that worldwide

PC unit sales will rise 183 per

#### r Corrado Passera, chief executive of Oli-vetti, yesterday sought to reassure shareholders and the market about the financial and industrial health of the Italian computer group, after a week in which the value of their investment has fallen by nearly 10 per

Mr Passera replied point by point to market rumours which led to a 5 per cent fall in the share price on Wednesday. Olivetti reports half-year results later this month, and the chief executive said the group expected to be able to confirm earlier forecasts that it will break even at the operating level this year. He said revenues had increased by 7 per cent in the first six months.

Olivetti's shares were reasonably stable yesterday, slipping slightly to close at L2.115 against an opening price of L2,123. But that compares with L2,347 at last Wednesday's close, before Digital Equipment, the troubled US computer company, said it had gradu-ally sold its 8 per cent stake in Olivetti oo the market during the slack holiday period. In spite of continuing technological and product links, the announcement was taken as an indication that the two companies had abandoned the ambitious partnership set up in 1992. It has also put Olivetti's tragile recovery under

the market spotlight. Mr Passera conceded yesterday that Digital's decision to sell 100m shares into a difficult market created an overhang of Olivetti stock. "which was bound to reflect on the share price". But be pointed out that the way in which the shares were quickly swallowed by the market was "a further demonstration of the strong liquidity of our stock". Analysts are still puzzled, how-

ever, by the delayed reaction to the Digital news, and believe the market may also have taken into account a number of other unsettling elements.

Personal computer price war

in the US. On the same day as the Digital announcement, International Business Machines cut prices in response to Compaq

#### the group's fixed interest portfo-Elf blames oil prices

By David Buchan in Paris

Elf Aquitaine, the French oil group, yesterday blamed a 10 per cent drop in first-balf net profits, to FFr1.2hn (\$222m) on lower crude oil prices and refining margins and higher financial

for 10% fall

charges.

Mr Philippe Jaffré, chairman, said uncertainties over the price of oil and the value of the dollar made full-year forecasts difficult. In 1993 Elf showed a FFr1.4bn net profit in the first six months but turned in FFr1.07bn for the

"We are still oo course in our strategy to concectrate on our core sectors of oil, chemicals and health, and to improve our competitiveness to the level of other oil majors," he said. After rapid expansion in recent years, Mr Jaffre said the group's goal now was to consolidate its position by cost-cutting and sales of non-core

Capital spending was 13 per cent lower in the first half, while the French group has cut its stake in the Lenna refinery project in eastern Germany from 100 to 43 per cent. Mr Jaffré said asset sales of FFr1.5bn in the first half were "a bit slower than I had hoped", but he predicted sales of FFr5bn-6bn this year and about the same next year.

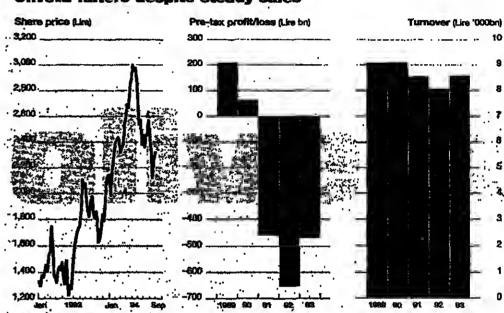
Mr Jaffré, who headed the Crédit Agricole bank before he took over Elf last year, said he had halted the five-year rise to debt which now stood at 46 per cent of own funds, against 50 per cent last December.

Elf said profits on chemicals tripled in the first half and its health activities remained stable. Sanofi, its pharmaceuticals and cosmetics subsidiary, reported first-half net earnings of FFr460m, up 0.9 per cent. Evolutionary approach, Page 20

## Andrew Hill reports on 10% fall in Italian computer group's shares

## Olivetti offers calm words after its bruising

Olivetti falters despite steady sales



Computer's reductions. Mr Passera pointed out yesterday that PCs represented only 20 per cent of Olivetti's L8,600bn annual turnover (more than 60 per cent of group sales come from the systems and services activities)

lio had suffered a drop in value. and that investments - held to cope with unexpected restructuring costs - would suffer a one-off

 Capital raising. Mr Passera id the group was not expectiv

and that the average price reduc- to increase its capital in order to

#### Olivetti is 'preparing to reap the benefits of a sweeping reorganisation' says Mr Carlo De Benedetti, chairman

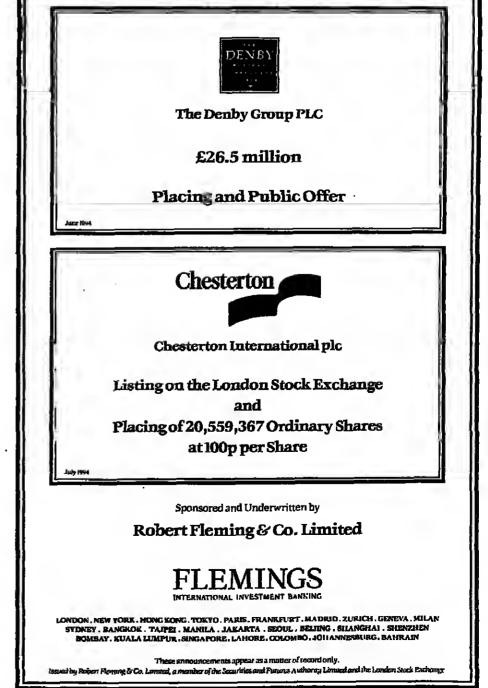
and bond investments. Mr Passera admitted that during 1994

in our budget and linked to a drop in component prices and to drop in components. second cellular telephone methods work by the Omnitel-Pronto Italia joint venture, of which Olivetti is the main shareholder. compared with a net loss of L650bn in 1992, bnt sales increased for the first time since

1990. At the group's annual shareholder meeting in May, Mr Carlo De Benedetti, chairman, said Olivetti was "preparing to reap the benefits of a sweeping structural reorganisation".

However, the market's brusque treatment of Olivetti shares this week is a clear indication to Mr De Benedetti of what will happen if he fails to deliver on those promises. He probably feels the market's discontent more than most in the last week, shares in the De Beoedettis' two quoted bolding companies - Cir, Olivetti's biggest shareholder, and Cofide, with a large stake in Cir - bave themselves declined by 10 per cent and 6 per cent respectively. When the market shakes

Olivetti, the whole tree trembles



#### INTERNATIONAL COMPANIES AND FINANCE

## **Leyland Trucks** to invest £25m in new range

By John Griffiths in London

Dutch and UK truck companies created out of the collapse of the Daf group last year are increasing their profits and making a firet eignificant investment in e new range. Leyland Trucks Manufactur-

ing, the UK truck maker rescned by a management buy-out last year, says it will spend £25m (\$38.25m) to design and develop a medium-sized truck range to be built at its Levland, Lancashire, headquar-

Most of the new vehicles will be for delivery to Daf Trucks, the Dutch truck maker also revived - with Dutch and Belgian government finance -from the Daf collapse.

The UK company has a long-term contract with the revived Dutch manufacturer under which Daf Trucks sells and services all Leylandproduced trucks in Europe.

The new truck range, to be called the 55 Series, will replace the Dutch-built Daf 1300 and 1700 vehicles, providing Leyland with its first-ever continental sales in the

the European truck market. Daf Trucks reported a net profit for the first half of Fl 39.2m (\$22m) on turnover of Fl 924.2m. Daf in March reported a net profit of only FI 10.8m in a truncated first

Mr Cor Baan, Daf chairman, told a meeting of the company's 3,654 employees in Eindhoven that the results "are in accordance with the general lines of the business plan and they also reflect the growing

confidence in the company".

About a week ago Leyland
Trucks' chief executive, Mr John Gilchrist, also reported that the UK company had made a pre-tax profit of £8.4m for its first 11 months to end-April on e turnover of £148.6m.

Daf delivered 7,282 trucks in the first half of the year, 4,607 from the Eindhoven plant and 2,675 comprising 45 Series vehicles from Leyland. Mr Baan said Daf had marginally increased its share of the European truck market over 6 tonnes to 6.8 per cent.

### Reckitt cautious after weak result

By Roderick Oram, Consumer Industries Editor

Shares in Reckitt & Colman fell 25p to 627p yesterday after the UK household products and toiletries group delivered slightly weaker than expected interim pre-tax profits of £123.3m (\$189m) and e cautious trading statement.

"The tough competitive and economic conditions which affected the group's performance in the first-half year persist and are unlikely to improve in the second half," it

New products in core brands such as Harpic lavatory cleaner helped compensate for flat demand in Europe and North America, Reckitt said .

Economic growth "will take a while to filter through to our consumer products," said Mr Vernon Sankey, chief execu-

Confident of its brand strengths and outlook. Reckitt raised its interim dividend by 7.8 per cent to 6.95p a share. Fully diluted earnings were 21.8p per share against 24.63p. Adjusted for exceptional items they were 24.9p against 23.7p The pre-tax profits of £123.2m

down from £143.6m a year ear-Her, included a £56m charge for rationalising Reckitt's European operations and a £30m gain from the sale of its European pigments business in

for the six months to July 2,

## simplifies **Finagro** investment

By Andrew Hill in Milan

Montedison, the Italian industrial conglomerate, plans to take direct control of Eri-dania Béghin-Say, its agro-industrial subsidiary, by absorbing Finanziaria Agroin-dustriale, the vehicle for the group's Eridania shares.

The merger will further simplify the structure of the sprawling empire inherited by the new board of Ferruzzi Finanziaria (Ferfin), Montedison's parent, following last year's near-collapse of the group. The structure contains some 1,800 companies, many of them dor-mant investment vehicles.

Finagro is quoted on the Milan stock exchange, but nearly 95 per cent of its shares are owned by Montedison or Ferfin. It controls just under 50 per cent of Bridania, which is quoted in France and Italy, but some 63 per cent of the voting rights.

If the operation is approved at a special Montedison shareholder meeting in October, Finagro's few remaining shareholders will be offered Montedison sbares in exchange for their holdings. Montedison also plans to absorb four tiny financial subsidiaries which house part of the group'e Finagro stake.

#### Ladbroke buys London casinos

Ladbroke Group yesterday made a £50m (\$75m) bet on the future of London casinos, returning to the tables after a 15-year absence, writes Peggy Hollinger in London. The purchase of Maxim's, Golden Horseshoe and Charlie Chester's marks the first step in Ladbroke's etrategy to increase its presence in the global gaming business.

The deal is subject to approval from the UK Gaming

> News of the acquisition was accompanied by the announce ment of an 11 per cent fall in interim profits before excep-tional items to £51.3m. Earuings before exceptionals were 18 per cent lower at 2.96p.

## |Montedison | East German energy assets sold

By Judy Dempsey in Berlin

Eastern Germany's largest electricity utility and its big-gest brown coal field have been sold to a consortium headed by RWE Energie, the German utility, the Treuhand privatisation agency announced yesterday. The sale, which will be officially sealed next week, paves the way for a DM41bn (\$27.3bn) investment programme by west Germany utilities in eastern Germany'e energy sector. It also secures a future for

brown coal, despite the environmental costs, and particularly in an election year when unemployment in eastern Germany is one of the key issues. Although the Treuhand will

not confirm the selling price until next week, energy offi-cials yesterday said RWE. PreussenElektra and Bayernwerk paid about DMSbn for Veag, eastern Germany's largest ntility. The former state utility, which enjoyed a monopoly under the former with more than 60,000 before communist regime, had a German unification, will fuel

been reduced to 14,500, and is expected to fall further.

A consortium led by Rheinbraun, RWE'e brown coal offshoot, and including Preussen-Elektra and Bayernwerk, bought the Laubag brown coal fields for an initial payment of DM2.1bn and a comm invest more than DM6bn over the next 20 years.

Laubag, which now employs fewer than 12,000, compared with more than 60,000 before most of Verg's 12,300 megawati capacity. Annual coal production will total about 55m tonnes, which is considered the m for the fields' economic vishflity. However, the long-term eco-

nomic prospects for Laubag and Veag will depend on the consortia's ability to withstand for brown coal.

increasing pressure from the expanding gas market and falling energy consumption in eastern Germany. Gas is quickly becoming a substitute

coach producer, for the forma-

tion of e joint venture. The

target here will be the

production of up to 12,000 bus

Such an operation would exceed Mercedes-Benz's exist-

ing Brazilian bus and coach

operations, which produced 14,600 vehicles last year. It

would elso be twice as big as

its European bus and coach

operations in Germany and

Turkey. Separately, it is investigating

the formation of a joint ven-

ture to produce heavy trucks

(above 15 tonnes) in China

with its current licensee part-

chassis and 6,000 large coaches

#### Volvo to take over German bus maker

By Kevin Done

Volvo, the 8wedish car and commercial vehicle maker, is taking over Drogmöller, the German bus manufacturer, in a move which accelerates the rapid concentration of the

European bus industry. Mr Björn Larsson, president of Volvo Bus, said the takeover of Drogmöller, a maker of lux-ury tourist coaches with a turnover last year of DM56m (\$36m) and a workforce of 250, was an important step in the Swedish group's effort to break into the German market which is dominated by Merced es Benz and MAN, the domes-tic German commercial vehicle

makers. The big European truck and bus makers are moving quickly to consolidate their hold on the small, and hitherto independent, bus and coach body builders in Europe, in order to guarantee the outlets for their chassis and drivelines

(engines and gearboxes). The Volvo acquisition is the latest in a flurry of recent deals, most notably Mercedes-Benz's takeover of Kässbohrer, the German coach maker which markets its products under the Setra brandname. In recent days Scania, the Swedish truck and bus maker,

has taken over DAB, a Danish body builder, while Volvo agreed the takeover of Aabenraa, another Danish bus body builder, from Kässbohrer, shortly before the German group was itself acquired by Mercedes-Bsnz, Ssparately Berkhof, the Dutch bus and coach maker has taken over its smaller, troubled Belgian rival Jonckheere.

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<sup>066</sup> deepens ar

2,09/02

Volvo had tried for two years to break into the German. coach market, using Berkhof bodies on its own chassis but with little success, said Mr Larsson. Drogmöller was the last independent German coach builder and offered the last. acquisition opportunity.

Volvo was aiming to increase its share of the German bus and coach market to more than 5 per cent in the next two to three years from less than 1 per cent at present, said Mr

### Mercedes-Benz unveils R&D strategy

Correspondent, in Hanover

Mercedes-Benz, the world's leading truck maker, is plan-ning to invest more than DM5bn (\$3.16bn) in the research and development of new commercial vehicles between 1994 to 1998, Mr Helmut Werner, chief executive, said vesterday.

The group will launch two van ranges in Europe next year, and introduce e newgeneration heavy truck range

Mercedes-Benz is embarking on an aggressive expansion of its light commercial vehicle operations in Europe, with the

Ares-Serono, the Geneva-based

biotechnology drugs group, has

reported another sharp fall in

profits in the second quarter.

Net income from continuing

operations fell 39 per cent to

The group, which develops bormones for stimulating

human fertility and beta inter-

feron-based drugs for multiple

VA Technologie, the Austrian

plant engineering group priva-tised and floated in May, has

reported first-half net income

of Sch286m (\$26m), up 68 per

Pre-tax profit was 50 per cent .

6 mos 6 mos

14,121 6,839

321

154.8 198.5 15,379 13,188

197

By Ian Rodger in Zurich

\$14.4m.

By lan Rodger

cent year-on-year.

aim of increasing its van production capacity tween 40 and 50 per cent during the next two years, to around 150,000 a year from 100,000 in 1994.

It also plans to internationalise its light commercial vehicle operations. It wants to start producing in South America, Mr Bernd Gottschalk, manag-ing director of the commercial vehicle division, said yester-

The new T1 medium-weight van range (2.5-4.6 tonnes gross vehicle weight) to be launched in Europe next year will also be produced in Argentina, starting in 1996. In Europe, the capacity for

Ares-Serono suffers 39% decline

has continued to step up its

research and development

spending in spite of weaker

Sales in the second quarter

were down 3 per cent to

\$168.2m, as a 50 per cent slide

in sales in Italy offset substan-

tial gains sisswhere. Italy eccounts for about a fifth of

group sales, and a few impor-

tant Ares products have been

Sch10.2bn, up 40 per cent. New

orders were 10 per cent ahead

to Sch17.1bn and the order

backlog at end-June stood at Sch56.8bn, 5 per cent higher.

The group said the largest

part of its turnover would be, achieved in the second half,

Privatised Austrian engineer ahead

overall sales.

this vehicle is being increased from around 75,000 to 100,000, competing with rivals such as the Ford Transit and the Volkswagen Transporter. in Argentina, Mercedes-Benz will build toward capacity of

between 20,000 and 25,000 units e year, enough to supply Brazilian market as The group has begun negoti ations on two ambitious joint ventures in China for the pro-

duction of heavy trucks and buses and coaches, said Mr Werner.

the government will pay for.

jumped 38.6 per cent in the sec-

and quarter to \$37.3m.

higher at Sch307m on sales of and forecast higher full-year

Meanwhile, R&D spending

In the first half, sales were

down 5 per cent to \$314.7m and

operations tumbled a third to

\$28.05m. The group took a

\$9.6m charge on the sale of its

diagnostics division in the sec-

profits. "This will enable a

shareholder-friendly dividend

The Austrian government sold 51 per cent of the shares in VA Tech, formerly part of

the Austrian Industries com-

bine, in May, raising Sch6.9bn.

policy," it said.

It has entered e feasibility study with Yangzhou Motor Coach Manufacturing (YMC).

#### ner: Norinco. Bidders line up for Canadian

insurance unit

Canadian Imperial Bank of Commerce and Great-West Life are believed top contenders for Confederation Life's domestic group life and health business. The successful bidder was expected to be announced by Confederation'e liquidator Peat Marwick Thorne. Confedera-

tion's domestic group business generated premium income of C\$1bn (US\$700) last year and could fetch up to C\$100m. Metropolitan Life was also a bidder, but industry sources said it was not likely to wm.

Great-West, controlled by Power Corp of Canada, bought Confederation's US group business just after Confederation was seized by federation regulators on August 11.

#### **Shanghai Petrochemical Company Limited Interim Results 1994**

For	the six months ended	30th June
1994	1994	1993
RMB'000	HK\$'000	RMB'000
(unaudited)	(unaudited)	(unaudited)
4,305,569	3,846,319	4,267,233
909,157	812,182	675,271
136,374	121,828	101,378
772,783	690,354	573,893
262,000	234,054	200,000
564,845	504,596	373,893
RMB0.118	HK\$0.105	RMB0.143
	1994 RMB'000 (unaudited) 4,305,569 909,157 136,374 772,783 262,000 564,845	RMB'000 HK\$'000 (unaudited) (unaudited) 4,305,569 3,846,319  909,157 812,182 136,374 121,828 772,783 690,354 262,000 234,054 564,845 504,596

In the second half of the year, the Company should benefit from continued economic growth in China and the strong demand for its products. The Company's decision not m shut down for overhaul its main facilities this year will result in an extended operational cycle. The utilization of the Company's major facilities is expected to increase and with it the output of major products. The Company expects demand for most perrochemical products to be strong during the second half of 1994. While further government controls on prices including those for petrochemical products are likely, the Company believes that they should not have a negative impact on the operations of the Company. The increase in the prices of crude oil since May will result in higher production costs for the Company during the second half of the year. However, for the two months to the end of June the higher prices for its product, including those for petrochemical products, offset the effect of increased crude oil prices. The Company plans to speed up its technology improvement programme and to continue improving its product quality and production efficiency. It also intends to increase the production of higher-margin downstream petrochemical products.

Chairman of the Board and President 29 August 1994

None: (1) Turnover

With the implementation of value added ext, naturover is treated as income excluding tax. For ease of comparison, the namover figure of RMB4,652 million in the 1993 interim results which includes tax has been adjusted to RMB4,267 million. The cost of slass is calculated on the basis of the value of raw materials purchased excluding value added tax.

Retained profits for the period include the profit after taxation, after deducting a retained profit of RMB54,062,000 carried forward from 1993.

(3) Earnings per share

The calculation of earnings per share for the six months ended 30th June 1993 is based on the 4 billion shares issued as at 30th June

The calculation of earnings per share for the six months ended 30th June 1994 is based on the 6.55 billion shares issued at at 30th

(4) Hong Kong dollar equivalents

For the convenience of the reader, amounts in Renminbi (RMB) have been translated into Hong Kong dollars at the rate of HK\$1.00

RMB 1.1194, being the average of the buying and selling rates prevailing at the China Foreign Eachange Trading Centre at the close of business on 30th June 1994. No representation is made that the Remninbi amounts could have been, or could be converted into

If you wish to receive further information on Shanghai Petrochemical or supplementary information on the Company's merim results reconciled in US GAAP, please fax your request to The Rowland Company at (852) 543-3030.

## SKANDIA INSURANCE COMPANY LTD INTERIM REPORT FOR THE PERIOD JANUARY 1 – JUNE 30, 1994

- Gross premium income rose by 35 per cent during the first half of 1994, to MSEK 27,315. The improvement is entirely attributable to the unit linked and life assurance operations, whose premium volume grew by 106 per cent.
- The insurance result for the group during the first half of 1994 amounted to MSEK 378, an increase of 31 per cent compared with the same period a year ago.
- The operating result, before adjusting the value of bonds to the lower of cost or market value, amounted to MSEK 529 (572).
- Net asset value on June 30, 1994, amounted to MSEK 15,379, or SEK 150 per share.
- The rights issue approved by the Annual General Meeting contributed to an inflow of capital totalling MSEK 2,705 net. The number of shares increased to 102,354,252 as a result of the
- At the Annual General Meeting in April 1994, the decision was made to ease Skandia's voting rights limitation in the Articles of Association. Now, no one may vote for more than five per cent of the shares represented at a Shareholders' Meeting.
- SkandiaBanken will begin operating in October 1994 and will focus primarily on deposits and other banking services for individuals. SUMMARY OF RESULTS

engaged in insurance and financia services, with its home market in the Nordic countries. Operations are conducted in 23 countries in Europe, Asia, and North and South America. Skandia's shares are listed on the stock exchanges in Stockholm, Oslo, Copenhagen and London.

A complete interim report is available upon request from Skandia, Information Department, \$-103 50 Stockholm. Tel. +46-8-788 1000.

MSEK Premium income, gross 13,194 13,412 Non-life insurance and reinsurance Life assurance Operating result before adjusting the value of bonds to the lower of cost or market value Management operating result before unrealized changes in the value of bonds insurance result, non-life insurance and reinsurance

Management operating result, life assurance

Total assets (SEK billion)

Solvency mergin, %

Net asset value (SEK billion)



\* 1

. . . \_ . . .

## Telefónica rises 4.7% to Pta52bn at halfway stage

By Tom Burns in Madrid

Telefónica, the state-controlled Spanish telecommunications group and the biggest company on the Madrid stock exchange, lifted first-half consolidated net profits by 4.7 per cent to Pta52bn (\$397m) on the back of increased demand, lower financial charges and increasing

The increased group profits reflected in particular the per-formance of Telefonica Internacional (Tisa) which bas invested strongly in acquiring Latin American telecommunications companies. Talks are taking place that aim to bring both GTE and Unisource into

Tisa as large shareholders. Results at the Telefonica parent company were up by just 1.7 per cent to Pta44.8hn, in spite of a 6.5 per cent rise in operating income and a 7 per cent fall in financial charges.

Analysts believe the parent company could be keeping its net profits low to prod govern-ment regulators into raising tariff charges.

Improved first-half results, reflecting the incipient domestic recovery, were also posted by Iberdrola, the private sector calera, the government-con-trolled tobacco manufacturer and distributor.

Iberdrola reported a 96 per cent jump in its net profits over the first six months of the year to Pta49.7bn but this sbarp increasa included extraordinary income of Pta25.2bn realised through the disposal of its Barcelona-based subsidiary, Hidroelectrica de Cataluna, to the state-controlled ntility Endesa.

Iberdrola's net profits, withont this extraordinary item, rose by 11.7 per cent due to energy demand, lower expendi-ture and an 18 per cent fall in financial charges brought about by falling interest rates

and reduced borrowing.

Tabacalera, which is 52 per cent state-owned, raised its net first half group profits by 32.5 per cent to Ptas.7bn.

The increase was dus to extraordinary income of Pta2.5bn realised through the disposal of its food division Royal Brands to Nabisco of the US, to a 54 per cent drop in

en negotiating to bny the CBS network, which earlier financial charges and a 23 per cent rise in tobacco sales. this year failed to merge with The sharp jump in sales was the QVC television bome-shopping company.

The takeover rumours lifted largely dne to government action in curbing cigarette

GE and CBS's share prices yes-terday, even though most leading stocks on Wall Street were lower. GE climbed \$1/2 to \$50%, and CBS rose \$6% to \$328, while Time Warner fell \$% to 237% and Disney fell \$% to

on NBC

TV bid

persists

By Patrick Harverson

Speculation about e possible

network continued yesterday

after e senior NBC executive

stopped short of issuing an outright denial of reports that General Electric, NBC's parent

group, has been considering

selling all or part of the net-work to Time Warner.

Mr Robert Wright, president of NBC, would only say that a report that NBC and Time

Warner had been negotiating e sals of the network for \$2.5bn

was not accurate. A spokes-man for Time Warner, mean-

while, said the group would not comment on the story.

Mr Wright's comments

speculation on Wall Street, which has been burning with rumours shout upheaval in

the US network television

The latest talk of a NBC

takeover was accompanied by reports that Walt Disney has

This is not the first time GE is reported to have been discussing selling NBC, which it bought in 1986 as part of the \$6.3hm acquisition of RCA Corporation.

On previous occasions, Mr Jack Welch, GE president, had insisted the network was not for sale, most recently last November. Yesterday, there was no comment from Mr

Although Mr Welch has said he wanted NBC to remain part of GE, the diversified industrial group is believed to be unhappy with the network's recent performance. NBC's revenues last year

were down from 1993 levels, it some countries and the strong has had the lowest ratings of the big three networks for the past three years, and has sufhaps, including a staged acci-dent in a television news report on General Motors pick-up trucks.

If Time Warner is interested in buying NBC, it is under-standable, given that the entertainment group is eager to develop its television interests and is preparing to launch

its own broadcast network. Any deal between GE and Time Warner over NBC would run into regulatory problems. Certain limits are placed on cross-ownership of broadcast and cable TV interests and Time Warner has extensive cable TV operations.

Charge puts **Brambles** into

By Nikki Tait in Melbourne

Brambles, the Australian transportation group, yester-day announced s A\$233.2m (US\$171.4m) loss after tax and normal items for the year to end-June, a aharp reversal from the previous year's A\$156.1m profit.

age was done by e bles' US-based waste manage-ment operation, Ensco. The company said there

Operating profits before abnormals and tax for the year were A\$242m, slightly below the previous year's A\$259.2m.

ing, administration and legal second-balf results were in The Brazilian car market has been recovering since 1992 thanks to pacts between the industry and the government, which reduced vehicle taxes.

#### **Speculation** Wallenbergs give a lesson in invisibility

The empire is held in a strong hand, write Hugh Carnegy and Christopher Brown-Humes

CHARMAN

INVESTOR, ASEA

SE-BANKEN, ERICSSON

NVESTOR, STORA

STORA, ASTRA

NVESTOR

VICE CHAPMAN

BOARD MEMBER

NCENTIVE, INVESTO

STORA & ERICSSON

ASTRA SKE

ELECTROLUX

SAAB-SCANIA

cle", are his anointed dual

heirs, his son Jacob and his

nephew Marcus, both in their

Today, the other key mem-

bers of the network include Bo

Berggren, chairman of Stora, Anders Scharp, chairman of

Electrolux, Claes Dahlbäck,

chief executive of Investor, the

family's core holding company.

Another insider is Percy Bar-

nevik, the chief executive of

Asea Brown Boveri, the Swiss-

control. However, he appears to play a more independent

role, bolding chairmanships of

Swedish companies outside the

Banken, the family bank.

visitor to Stockholm intent on seeking out Europe's premier industrial dynasty would soon discover something striking about the Wallenberg empire. It has no beadquarters, no annual report and no corporate takeover of the NBC television

This public invisibility stands in stark contrast to the glittering list of Swedisb blue-chip companies which the Wallsnherg family controls such as Asea, Electrolux, Ericsson, Astra, Stora, Saab-Scania and SKP.

But it is a key to understanding the way in which the Walenbergs operate. They deliberetely adopt a low-profile approach, shunning the limeight and evoiding a jet-set lifestyle. When they take to the water it is to sail in Stockholm's archipelago rather than to cruise in luxury yachts off the Côte d'Azur. Their styls is summed up in the family motto "Esse Non Vidare" - To Be, Not To Be Seen.

Their empire is a collection of widely disparate companies gathered under the same umbrella but controlled most often through minority shareholdings. It is the identities of the individual companies which are promoted rather than the common ownership. However, the invisibility

belies the strong hold exercises by the family, headed by Peter Wallenberg, and a circle of trusted lieutenants over a fiefdom accounting for 40 per cent of the value of the Stockholm Stock Exchange.

"They will always be strong owners. They want to control their companies, they want to make the decisions," says a former Wallenberg director. This rule through

close-knit network which acts as a kind of super-board has been the Wallenbergs' traditional way of managing the It operates largely informally

through frequent meetings in offices of the key companies scattered around Stockholm's handsome waterfront, through daily telephone calls between the main protagonists and through a regular round of discreet social gatherings.

VW and Ford

loosen links

By Patrick McCurry

In São Paulo

in Autolatina

Soaring Brazilian car

production and increasing

rivalry between dealers has

forced Ford and Volkswagen to

loosen their links in Auto

latina, the holding company

for their joint operations in

The companies will no lon-

ger produce similar-looking

vehicles from common produc-

tion platforms, but instead us

the world platforms of their

parent companies. However

they have not confirmed local

media reports that Autolatina

Antolatina plans to produce the Flesta model locally

because of the growing Brazil

ian market for small cars. The

company intends to invest

\$400m in the venture hy the

Autolatina was formed in

1987 during a period of low pro-

duction and investment in Bra-

Recent growth and the open-

ing of Brazil's economy led to

the decision to use world plat

forms, according to company

president Mr Pierre-Alain de

Smedt. Pressure from VW deal-

ers, reluctant to share the plat-

form for the new Golf model

Mr de Smedt said Ford and

VW would have more euton-

omy within Autolatina but the

bolding company would con-

time in areas such as purchas-

with Ford, also contributed.

Brazil and Argentina.

will be disbanded.

end of next year.

zil's car industry.

Wallenberg sphere. All this group, with the exception of Björn Svedberg, At the pinnacle stands Peter Wallenberg, aged 68. Alongside sit on the board of Investor, him in what the former director calls "an inner, inner cirwhich Peter Wallenberg chairs. But they also meet in overlapping combinations, with one of them usually acting as chairman, across the core Wallen-

he system is perfectly suited to providing a sheltered habitat within which Peter is grooming Jacob and Marcus to succeed him. and Björn Svedberg, chairman of Ericsson and chief executive They have moved up from lower level jobs within the empire, inside and ontside of Skandinaviska Enskilda Sweden, to senior executive positions, respectively, in SE-Banken and Investor, and to assume their first board posi-Swedish engineering group which the Wallenberg's half

Peter Wallenberg says the cousins will take over when he decides they are ready. He is using the network to give Jacob and Marcus the chance to gain experience precisely in the way he was denied by his father, who denigrated Peter's

abilities. Members of the network say

it provides a valuable cross-fer tilisation of views and strategic guidance for individual companies. But they insist this is distinct from unwarranted interference in day-to-day manage

ELECTROLUX

VICE CHARMAN

BOARD MEMBER

ASEA STORA

INCENTIVE

INVESTOR

ment, which is left to the exec-ntives running the companies. The Wallenbergs certainly pride themselves in having fostered successive generations of loyal managements who have had the backing to produce long-term results.

One is Ericsson, the telecommunications group, where management under chief executive Lars Ramqvist spent heavily on research and development in the early 1990s more than 20 per cent of turn-over - at the expense of dividends. The pay-off has been Ericsson's present success, especially in mobile telephony. The network also provides

an invaluable service to individual companies, providing access to the Wallenbergs'

ness, political and academic

Peter Wallenberg sits, for example, on Swiss Bank Corp'a international advisory board and GM's European advisory council. Similar prestige posts are beld by all the inner circle.

These contacts were put to spectacular use in 1991 when Jacob Wallenberg led a move by Investor to raise s \$1.5bn unsecured syndicated bank loan to fund Investor's buy-out of Saab-Scania

"Do you think you'd get that out of the major banks without having e particular reputa tion?" says Peter Wallenberg. But the other side of the coin is the concern that the network is too incestuous and is there mainly to support decision-making by the family.

"When it comes to strategy it is a question in the end for Peter Wallenberg to make the decisions, and he does." says s former insider. "The others are just advisers."

Key issues, be says, are worked out before board meetings by the inner circle.

Some critics worry that the network system ultimately stifles initiative. "In every such constellation, there is a danger they are protecting each other," says Per Olof Edin chief economist at the LO trade union federation.

The network to date has certainly tended to resist outside intrusions. In 1990, the Wallen bergs responded to a demand for a seat on Saab-Scania's board by Sven Olof Johansson, corporate raider who had built up a 22 per cent stake, by buying him out.

Today there is a striking discrepancy between the virtual absence of foreigners on Wallenberg company boards and the fact that as much as 50 per cent of the capital of individual companies is held by foreign

This is not a pressing issue now because no single interest has built up a significant voting stake in any company. But it could become so as the spate of foreign buying of Swedish shares unleashed by deregulation continues unabated.

This is the second article in a three-part series on the Wallen bergs. The first appeared yester-

#### electrical utility, and by Taba-Net income up 2% at Sandoz in first half

By Ian Rodger in Zurich

Sandoz, the Swiss pharmaceuticals, nutrition and chemicals group that has just acquired Gerber Food Products of the US for \$3.7bn, raised net income 2 per cent in the first

half to SFr1.01bn (\$760m). Operating income grew a faster 7 per cent to SFr1.36bn on sales up 2 per cent to SFr8.2bn, 8 per cent higher in local currencies. But the net financial result tumbled from a SFr79in profit to a SFr90m loss because of price declines of securities

Sandoz expected sales trends in leading markets to remain favourable in the second half and operating income to "con-

Gerber would be consolidated from August 25. Mr Raymund Breu, Sandoz finance director, said the baby food group would add \$410m to group sales and \$70m to operating income this year. At net income level, it would have no effect this year or in

Group volume growth was 4.6 per cent in the first half, with a 10 per cent rise from agricultural chemicals, 5 per cent from construction and 4 per cent from both pharmaceuticals and nutrition divisions. Prices were squeezed, so the

improvement in the operating margin from 15.9 per cent to 16.5 per cent came from volume and cost improvements. Sales of the pharmaceuticals division were down 1 per cent to SFr3.59bn, reflecting government enforced price cuts in

Sales of the nutrition division soared 29 per cent to

acquisitions last year. Sales in the chemicals and environment sector were flat at SFr2.76bn, with gains in agriculture and construction offsetting an 8 per cent slide in chemical sales, especially those

#### to textile and paper makers. Canadian banks ahead sharply in third period

By Robert Gibbens in Montreal

31131 e ei

Canada's two biggest banks posted sharply higher third quarter earnings, driven by strong lending activity, rising fee income, tight expense control and lower loan losses.

Royal Bank of Canada's net profit for the July quarter was C\$294m (US\$213m), or 80 cents a share, an increase of 32 per cent on the C\$223m, or 38 cents, a year earlier. Return on assets was up st 0.70 per cent, against 0.62 per cent and on equity rose to 16.5 per cent from 11.7 per cent.

Nine month profit was C\$867m, or C\$2.36, an advance of 20 per cent from C\$720m, or C\$1.93. Return on assets was 0.70 per cent compared with 0.69 per cent and on equity 16.9 per cent against 13.4 per cent. loana Non-performing dropped 24 per cent to C\$1.8bn at July 31 while the loan-loss provision for fiscal 1994 is

C\$820m against C\$1.75bn in fiscal 1993. The trust and investmentbrokerage units improved. At July 31 assets totalled C\$172bn.

un 2 per cent year-on-year. Canadian Imperial Bank of Commerce said third-quarter net profit was C\$223m, or 57 cents, ahead 17 per cent from a year earlier. Return on assets was 0.58 per cent, against 0.55 per cent, and on equity 11.5 per

cent, up from 10.5 per cent. Nine-months earnings were C\$654m, or C\$2.59, an increase of 21 per cent from C\$539m, or

will have annual sales of more than US\$350m and rank among North America's top 10 producwood papers.

raise C\$420m by selling units of Rainy River, comprising common shares and convertible debentures. US\$110m with an institutional

issue of secured notes.

Total revenues rose 11 per cent with strong husiness and consumer lending, while investments and brokerage activities were ahead. Net interest income was up 4 per cent and other income ahead

11 per cent Non-performing loans continued to decline, to C\$1.7bn at July 31, while fiscal 1994 loan provision was unchanged at C\$880m. Total assets reached C\$152.5bn, up 9 per cent year-

 Boise Cascade, the US forest products groop, is going ahead this month with an initial public offering of Rainy River Forest Products, a Canadian subsidiary holding all the newsprint assets.

Rainy River, with two mills In Canada and one in the US, ers of newsprint and ground-Boise Cascade expects to

Boise Cascade will also raise

A\$378.1m abnormal charge, already reported in the first-half and mainly due to the write-off of goodwill at Bram-

were no abnormal items in the second half..

line with expectations and it had "reached a turning point". Revennes wera little changed at A\$2.74bn, against

VA Tschnologis AG - Austria's largest engineering group . Is sctive in Metellurgicet Engineering. Energy and Environmental Englinsering and Construction and Engineering Services, on a truly worldwide besis, with over 50% of

The VA Technologie Group sucessafully floated 51% of its sheres

turnover generated outsids Austria

Alt key figures of the Group to the first helf of 1994 ere higher ther last vest:

w Order intake rose by 10% with strongest growth in Construction and Engineering Services and Metallurgicat Engineering

= 52% of order intake wes in Energy an Environmental Engineering 25% of orders received came from the

Order backlog rose by 5% compared with the first half of 1993 (end by 10%

over yeer-end 1993) Turnover increased by 40% over the comparable figure for 1993, mainly due to accounting practices epplied to

engineering companies

 Ordinary profit and net profit rose by 50% and 68% respectively over last vear's first six months

As in previous years, the largest part of turnover will be schieved during the second half of 1994. This will also result in profits being higher in the second half of the veer than in the first six months This factor, as well as the expected order intake, should reput in a higher profit for 1994 than in 1993. This will

enable e shareholder-friendly dividand

policy for the current business yeer.

## VA Technologie.

on the Visinia Stock Exchange Report on the first half-year ended June 30th, 1994.

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For a copy of VA Technologie's 1994 half-year report or turther information, please contact: Wolfgang Schweiger, Investor Relations, VA Technologie AG, Lunzerstraße 64, A-4031 Linz, Austria.



## Loss deepens at Danish shipping group

By Hilary Barnes in Copenhagen

Lauritzen Holding, the Danish shipping and shipbuilding group, suffered a first-half net loss of DKr198m (\$32m), compared with a first-half loss last

year of DKr73m. The group takes in the J Lauritzon Shipping Group. DFDS, the North Sea freight and ferry group, and the Dan-

yard shipyard. Sales were up to DKr4.89bn from DKr4.33bn, but the result was hit by a rise in net finan-

cial costs to DKr230m from DKr142m and a DKr54m loss

on the disposal of vessels. Tha J Lauritzen Company made a loss of DKr289m, against a loss of DKr118m. The company's fleet of refrigerated cargo vessels was hurt by low freight rates and the weakness of the dollar against the krone.

The holding company said it has increased the shipping company's capital by issuing anbordinated loan capital of DKr150m The shipyard also moved

into a loss of DKr42m, com-

pared with a profit of DKr66m. The group has predicted a full-year loss of the same order as in 1993, when there was a net deficit of DKr178m. • FLS Industries, the indus-

trial conglomerate which is a leading global supplier of cement mills and machinery, has reported an increase in first-half net profits to DKr176m from DKr126m in the same period of last year. Sales advanced to DKr6.45bn

from DKr5.6bn, which was

mainly a reflection of the

domestic building materials

group Aalborg Portland being classified as a subsidiary rather than as an associate

 Codan, Denmark's biggest non-life insurance group, recorded a first-half net loss of DKr148m, against a profit in the same period last year of DKr503m

Profits from insurance activities improved to DKr157m from a loss last year of DKr163m but there were unrealised losses on securities of DKr303m this year against unrealised gains last year of DKr66m.

Sales by activity (Fr br)

#### INTERNATIONAL COMPANIES AND FINANCE

## Sharp drop at **Western Mining**

By Nikki Tait in Melbourne

Western Mining Corporation, the Australian mining group, yesterday reported an equity-consolidated profit, after tax but before abnormal items, of A\$119.7m (US\$89m) in the year to end-June.

This compsred with A\$165.9m in the previous year, a fall of 27.8 per cent. WMC took a large abnormal

charge in 1992-93, of A\$113.3m before tax, while the net charge in 1993-94 was A\$700,000. As s result, WMC's equity profit after tax and abnormals was sharply improved, to A\$125m in the year just ended, compared with A\$88.2m previously.

This figure was in line with the profits forecast made by WMC in its rights issue prospectus last month.

The fall in Western's pre-abnormal profits derived largely from an 18.4 per cent drop in operating earnings, to A\$127.8m. Total revenue was 7.6 per cent higher at A\$1.7bn. On a divisional basis, WMC's nickel operations remained in the red, although the loss was reduced to A\$23.2m from

The company noted that this improvement came despite s 14 per cent decline in US dollar terms for the overall price of nickel, and the production interruptions as the upgrading of facilities took place. The Olympic Dam busine contributed A\$60.2m, against A\$47.4m, but the advance was largely due to WMC's increas ing its ownership of the

operations to 100 per cent. Higher production, coupled with an improved gold price, meant that the Australian gold interests made A\$74.2m, up from A\$88.5m. Howaver, the North and South American gold interests produced a loss of A\$16m.

The main depressant on profits was the petroleum division, which turned in profits of A\$4.7m, compared with A\$43.7m in the previous year. A lower oil price, declining production from a couple of fields, and an increase in unit costs due to higher amoritisation/depletion charges did the

WMC's share of after-tax profits from Alcoa of Australia, in which it has a 48.25 per cent stake, also fell, by 17.6 per cent to A\$147.3m. This was largely due to lower US dollar prices and lower aluminium sales vol-

However, Mr Hugh Morgan, WMC's managing director, neld out the prospect of a bet-

The final dividend is 4 cents a share, down from 7 cents last time, making 8 cents for the year, time. against 10 cents last

#### **Bank Bumiputra reports** impressive profits leap

By Kieran Cooke in Singapore

Bank Bumiputra, Malaysia's second biggest bank which in the past has been dogged by financial scandal and mismanagement, seems to have put the bad days firmly behind it with a big leap in profits.

For the year to end-March, Bank Bumiputra recorded a pre-tax profit of M\$450m (US\$176m), compared with M\$81m in the previous year. Group income for the year rose almost 90 per cent to M\$990m. Directors said that fee-based income and foreign exchange earnings made up about half

the group's income, while the

recovery of bad loans contributed considerably towards the leap in profitability. Bank Bumiputra is wholly

owned by the Malaysian government. In the mid-1980s, it was involved in a loans scan dal centred on the exposure of its Bumiputra Merchant Finance subsidiary in the Hong Kong property market.

Later, the bank faced bankruptcy over bad loans, this time in the Malaysian market. On both occasions Petronas, the Malaysian state oil company, had to come to the

The Malaysian government intends to privatise the bank.

## Evolutionary, not revolutionary, approach at Elf

tanker cannot turn on a sixpence, and it takes time to steer a new course at one of the world's leading oil groups.
That is the mess

Philippe Jaffré, chairman of Elf Aquitaine, France's largest industrial concern, after one year at the helm and seven months after having guided his charge through privatisation.
That is also the message

from first-half results, which showed a decline of 10 per cent in net profits to FFr1.2bn (\$222m). A boost from the company's chemicals activities in the second quarter meant the result was better than expected after a profits warning in June. But Elf is still looking at another year of relatively meagre pickings, compared with the FFr10.6bn at which

net profits peaked in 1990. Part of the explanation for the decline in profits lies in adverse conditions which have confronted all of the international oil majors - the fall in the oil price which continued into the first half of the year, pressure on refining margins and, for non-US groups, the

ess in the dollar. But Elf also faces structural problems which have sapped its powers of resistance. "When you have any structural problem, it takes time and a lot of effort to remedy," says Mr

The problem is the legacy of an expensive and ambitious expansion strategy in the early 1990s, which included the acquisition of the North Sea assets of Occidental of the US and stakes in diverse compames such as Bidermann, the

textiles group.

The strategy left Elf with a rising debt burden, which totalled FFr52bn at the end of last year, increased financial



Elf-Aquitaine

charges and a declining return on capital, which fell from 13 per cent in 1989 to 4 per cent at the end of last year.

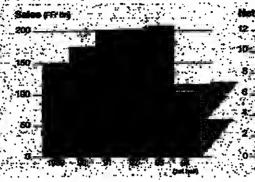
In an attempt to reverse the trend, Mr Jaffré is pursuing a strategy of debt reduction. tighter controls on investments and a focus on the group's three core business areas - oil, chemicals and healthcare.

But he is implementing his strategy through an evolutionary rather than a revolutionary approach, avoiding announcements of aggressive cost-cutting.

The approach has prompted impatience among some inves-tors. "I think that a lot of people who bought shares in Elf when it was privatised were buying for the upside potential of a big restructuring similar to what has happened at com-panies like BP," says one analyst at a US securities com-

"There is a feeling that Mr Jaffre is moving in the right direction but they haven't heard much to convince them big rationalisation effort.

Mr Jaffré is aware of such santiments. "I know that Anglo-Saxon investors adore it



when big cost-cutting plans are For Elf as a whole, he argues announced," he says. However, the Elf chief that significant reforms have also been put in place over the argues that such an approach past nine months, attacking is inefficient in the case of the company's cost base and French industry and that the improving efficiency.

measures being implemented Investment spending this at Elf, without fanfare, are year is to be reduced by 20 per ginning to bear fruit. cent to FFr32bn. The FFr15bn On the first count Mr Jaffré spent in the first half shows claims that the best way to the company is on course to prevent a restructuring plan in Elf's participation in the a French company is to

Philippe Jaffré has run the oil group for a year, guiding it through the first stages of privatisation, reports John Ridding

announce it in advance. "If I Leuna refinery project in eastwas to declare a big cost-cutern Germany has been cut ting plan then there would be

The Elf chairman argues that French industry has made significant progress in reducing costs and increasing efficiency in recent years without high-profile restructuring

He cites Renault, the automobile group, and Saint Gobain, the glass and building materials company, as well as Elf's own chemicals operations, which saw profits treble in the first half of the year.

Mortgage Funding

Corporation No 2 Plc

\$115,000,000 Class B-1

Agricole, one of France's bigfrom a majority stake to 43 per cent, after a test of strength with the Treuhand privatisation agency.

The company has also embarked on an asset sale pro-gramme aimed at realising net receipts of FFr5bn this year. Mr Jaffré says the target is within reach. Receipts in the first half amounted to FFrL5bn, including the sale of Elf's stake in Havas, the media

and publishing group.

Another FFr2bn should be realised by the end of this

**WOOLWICH** 

- Building Society -

Subordinated floating rate

\$33,000,000

notes due 2001

gest banks, he denies he is taking a purely financial approach at his new charge. "I didn't start by saying I

quarter, and a further FFr3bn

or so by the year-end. Against this could be offset about

FFr1bn through an investment

in Renault, a close partner of Elf, should the vehicle group

The sale of assets will help

ease Elf's debt burden, which

Mr Jaffré says has stabilised

and should start to decline

from next year. But although

he is a former head of Crédit

be privatised

must cut debts at the group, which would have been s hit reductionist. I started by saying that we must re-establish the profitability of the group and to do this we must concentrate on our core businesses. As a consequence we can sell assets and reduce debts.

Financial charges are expected to start falling from 1995, when most analysts see the

potential for a healthy rise in profits. Until then, the debt burden and the weakness in the dollar will offset, partly at least, the gains from a higher second-half oil price and stronger profits from chemicals and

healthcare operations.

Measures are also being taken to increase the emphasis on profitability among the company's 90,000 employees.

Mr Jaffré denies that radical measures are needed to shake

up the culture of the group. "Elf already has a taste for performance and development which is shown by the fact that it has gone from nowhere 50 years ago to rank among the world's 30 biggest companies today."

However, he says he is seeking to add a bit of "mustard" to staff attitudes through expanding employee share ownership and introducing stock options for senior executives, a scheme which is being discussed by Elf's board

Such Anglo-Saxon measur he feels, will sharpen Elf's competitive edge. For British and US investors, however, it is a trace of mustard at the bottom line which

## Amcor advances to A\$336.9m and increases yearly dividend

By Nikki Tait

Profits at Amcor, the Australian paper and packaging group, rose to A\$336.9m (US\$250m) from A\$266.9m in the year to end-June, after tax but before abnormal charges.
The company said the advance

operations, and came despite highly competitive markets. However, bottomline results were marred by abnormal items, which

reflected improved results scross its

included a charge of A\$80.3m, mainly covering restructuring costs flowing from the APPM acquisition last year, and goodwill write-offs.

In the previous year, Amcor enjoyed a A\$48m abnormal surplus, so profits after tax and abnormals fell to A\$256.6m from A\$314.9m. Sales for the year were up to A\$5.55bn from A\$4.82bn, and earnings

per share before abnormals and on a fully-diluted basis increased by 19.7 per cent, to 56.4 cents.

In the containers packaging division, sales were up by 12.3 per cent to A\$1,79hn, while operating profits rose to A\$208,9m, from A\$200.8m. Amcor said the result was good, given "the extensive rationalisation and other structural changes in the industry

sectors in which containers operate".

Amcor Fibre Packaging saw sales rise to A\$1.78bn from A\$1.58bn, while profits were A\$141.9m, against On the paper side, Amcor Paper

Group produced a 9.4 per cent operating profit gain, at A\$177.4m, with sales climbing by 28 per cent to A\$1.15bn.

Interest charges fell to A\$63.8m from A\$75.1m, and the group's capital and acquisition expenditure during the year topped A\$1.1bn, compared with A\$708m previously.

The dividend for the year is 34

cents, up from 31 cents, with a final of 2 cents higher at 18 cents. • Burns Philp, the Sydney-based

company which has been building up its food ingredients business aggressively in recent months, yesterday announced after-tax profits of A\$123m in the year to end-June, up from A\$110.1m last time. Operating earnings, before interest

and tax were 14 per cent higher at A\$219.8m, while sales were A\$2.79bn, compared with A\$2.68bn previously. Earnings per share, on a fully-diluted basis, increased by 6 per cent to 27.6

Dated as of August 12, 1994

CHRYSLER CREDIT CORPORATION

CARCO DEALRS WHOLESALE TRUST 1990-A

Annual Investor Statement as of August 12, 1994, for the one year period commencing August 13, 1993 and ending on August 12, 1994 (the "Aunual Pariod") as provided by Chrysler Credit Corporation, as Servicer.

The following information is provided by Chryster Credic Corporation, as servicer (the "Survicer") pagmant to Section 5.02 of the Pooling and Servicing Agreement dated as of August 1, 1990 among Chryster Auto Receivables Company, as etiler, the Servicer and The Puji Bank and Trust Company, as trustee (the "Pooling and Servicing Agreement").

Total Principal Receivables balance on August 12, 1994 amounted to U.S. 5651,527,588.07. Such aggregate balance is affocated among the various ownership

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U.S.\$ 6,500,000,00 Supplement Account Balance for the current Annual Period

Percentage of Spread Amount Cap U.S.\$ 6,500,000.00

As of the date of this Annual Is 

By: Chrysler Credit Corporation



Mortgage Funding Corporation No.5 PLC (Incorporated in England and Wales with lamited lability under registered member 2079671) Class A Multi-Class Mortgage Backed Floating Rate Notes due November, 2035

Class A-1 £110,000,000 Class A-3 £17,500,000 Class A-2 £ 80,000,000 Mestanine Notes £18,500,000 For the interest period 31st August, 1994 to 30th November, 1994 the Class A-1 Notes will bear interest at 5.9375% per annum. Interest payable on 30th November, 1994 will amount to £409.66 per £31,727.27 Note. The Class A-2 Notes will bear interest at 6.1125% per annum. Interest payable on 30th November, 1994 will amount to £1,523.04 per £100,000 Note. The Class A-3 Notes will bear interes at 6.2625% per annum. Interest payable on 30th November, 1994 will amount to £1,561.34 per £100,000 Note. The Mexanune Nores will

bear interest at 6.6625% per annum. Interest payable on 30th November, 1994 will amount to £1,661.06 per £100,000 Note. Company, London

Agent Bank

**WUMC United Microelectronics Corporation** ("the Company")
Imbed liability in Tahren, Fleoubic of Chine 1.25 per cent. Bonds due 2004

("the Bonds") NOTICE IS HEREBY GIVEN to the holders of the outstanding Bends that the Company has announced a borus share issue of 171,559,420 shares with a record date of July 7, 1994. In accordance with the provisions of the indenture constituting the Bonds the Conversion Price has been adjusted from NT394 per share to NT375 per share effective July 13, 1894.

CREDIT LOCAL DE

U.S.\$2,000,000,000

SERIES NO.12

TRANCHE NO.1

FF500,000 den

**JPMorgan** 

FRANCE - CAECL S.A.

**Euro-Medium Term Notes** 

FFC725,000,000 Inverse

floating rate notes 1996

Notice is hereby ginen that for the interest period I September 1994 to I December 1994 the notes will bear interest at 24.69925k per annum, interest payable on I December 1994 will amount to FF31,217.11 per ESSOO On decemberation

Agent: Morgan Guaranty Trust Company

United Microelectronics Corporation September 2, 1994



\$150,000,000 Guaranteed floating rate

100.00% notes 1999 U.S.\$ 51,705,000.00 The notes will bear interest at 5.75% per armum for the interest period 31 August 1994 to 30 November 1994. Interest • payable on 30 November 1994 will amount to 5.143.36 per \$10,000 note and \$1,433.56 per 100.00%

> Agent: Morgan Guaranty Trust Company 100.00% **JPMorgan**

To the holders of Mortgage Capital Trust I Collateralized Mortgage Obligations, Series A Class A-1 Bonds Due 1st June, 2017 Nonce is hereby given that the interest rare on the Class A-1 Bonds for the interest period 1st September, 1994 through 1st December, 1994 is

By: Bankers Trust Company, as Trustee. ECU Futures pio 29 Cheshen Piece Beigravia



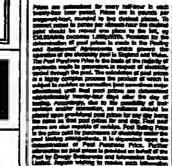
London SWIX SHL





Petroleum Argus Daily Oil Price Reports Petroleum Argus





\$11,000,000 Class B-2 Notice is hereby given that the notes will bear interest at Mortgage backed floating 1.1625% per annum from
31 August 1994 to 28 February
1995. Interest payable on
28 February 1995 will amount
to \$3,551.82 per \$100,000 note. rate notes August 2023 For the interest period 31 August 1994 to 30 November 1994 the Class B-I notes will bear interest at 5.8875% per annum. Interest payable on 30 Novembert 1994 will amount to £1,467.84 per £100,000 note. The Class B-2 Agent: Morgan Guaranty Trust Company **JPMorgan** rotes will bear interest at 6.0625% per annum. Interest payable on 30 November 1994 will amount to £1,51 1.47per MANUFACTURERS HANOVED

TEUST COMPANY
GESTS,000,000
FLOATING BATE SUBORDINATED Agent: Morgan Guaranty Trust Company CAPITAL NOTES DUE 1994 **JPMorgan** in accordance with the provisions of the Notes, notice is hereby given that the flate of Interest for the Interest Period from S1 Angust. 1994 to 21 November 13th has been fined at 67th per cent per annum. The Coupon Amounts will be \$63.89 for the \$55,000 denomination and \$638.87 for the \$55,000 denomination and will be payable on 21 November 1994 against surrender of Coupon No. 38. 285,900,000 **CARPS III Limited** ecured Amortising Floatin Rate Notes due 1999 For the three month interest perior August 31, 1964 to November 30 1964, the rate has been determined at 5,7825%. The interest psyable at 9.7825%. The interest payable on the relevant interest payable date, November 30, 1994 will be. \$906.18 per £93,074.36 principal amount of Notes.

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One Chart Equals One Hundred Stories Fig. 1 described as the Community of the d that siyan i safi Davie kariy or Jusan Piggir. Shi bardon 71 - 744 2174 (271 in 147) or far fit.



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AKRANES & BORGARFIORDUR HEATING CORPORATION

USD 19,600,600 Floating Rate Notes due 1995

In accordance with the Terest and Conditions of the Nose, audio in hearing given that for the latterest Period from August 31, 1994 to Pebruary 28, 1995 the Notes will early on interest Rate of 5.4375% per annum.

The Coupon Amount payable on the misvant Interest Payment Date, Rebrary 28, 1995 will but 158 27.338.54 per USS 1,000,000 principal amount of Note.

14 HOUR

DO YOU WANT TO KNOW A SECRET? The LD.S. Genn Seminar will show you how the markets REALLY work. The emezing trading techniques of the legendary W.D. Genn can increase your profits and contain you losses. How? That's the secret. Ring 061 474 9080 to book your FREE place.

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#### INTERNATIONAL CAPITAL MARKETS

## Further downward pressure put on bunds

By Antonia Sharpe in London and Frank McGurty

Although the Bundesbank's decision not to change official interest rates was widely expected, the news put further downward pressure on German government bonds, which had already received an early knock from stronger than expected west German indus-

trial production figures. The data showed a 2.2 per cent monthly rise in July, compared with market forecasts of between 0.5 per cent and 1.5 per cent and was seen as a further confirmation that the economy was growing rapidly and the Bundesbank would have even fewer reasons to cut official interest rates further.

bank's decision to stick to a BUK gilts outperformed fixed rate of 4.85 per cent for their continental European its next two securities repurchase tenders added to the argument that its priority had shifted from further easing to managing smoothly the trough of the interest rate cycle.

#### GOVERNMENT BONDS

Mr Kit Juckes, of S.G. Warburg, said the shape of the German yield curve suggested that the market was still fairly relaxed about the monetary nntlook. "Bunds are complacently priced given the likeli-hood that German rates will start to rise next year," he said. On Liffe, the September bund future fell 0.48 points to Dealers said tha central 91.27 in modest trading.

counterparts thanks to a late rally which deelers had difficulty in explaining. Sterling's resilience in the face of a falling dollar and a newspaper report that 10-year gilt yields could fall to 7½ per cent were given as possible reasons.

The rise in gilts caused a further narrowing of the yield spread between gilts and bunds to 132 basis points, which forced more dealers to close their short positions. "The bears are being squeezed out of the market," said one analyst. On Liffe, the December long gilt future was & higher at 101% in the late afternoon, below the day's best of 1024.

Elsewbere, Italian government bonds fell in nervous

■ UK gilts outperformed trading as a result of renewed tive tone was cast over the infighting in the government. Italian futures fell by nearly a point. By contrast, French government bonds were steady following an uneventful monthly auction of OATs.

> ■ US Treasury bonds drifted lower yesterday mnrning as traders awaited today's report on Angust conditions in the labour market By midday, the benchmark 30-year government bond was

down 1/4 at 100%, with the yield rising to 7.467 per cent. The two-year note was off h at 100h, to yield 6.148 per cent. The market was hoping today's employment data would provide it with clear-cut guidance on the strength of the economy. Beforehand, trading remained light, though a nega-

**NEW INTERNATIONAL BOND ISSUES** 

morning's activity by fresh evidence of inflationary pressures in the manufacturing sector. The National Association of

Purchasing Management said the prices paid component of its monthly survey had climbed to its highest level in six years. However, the overall index of business activity was weaker than expected, completing the pattern which emerged in a regional Chicago survey released on Wednesday.

The net impact on bonds was modest losses across the yield curve. Still, yesterday's data revealed nothing to change expectations about today's report. Economists are forecasting an increase in nonfarm payrolls of about 225,000, suggesting a moderate pace of economic growth.

#### Canadian bonds top performers in August

By Graham Bowley

The Canadian government bond market outperformed the rest of the world's bond markets in August.

J.P. Morgan's government bond index shows Canadian bonds posted a return of 2.78 per cent, measured in local currency, followed by Austra-lia with a gain of 1.51 per cent and the UK with 0.79 per cent.

Investors were attracted into the Canadian market "by favourable inflation figures, 10-year yields above 9 per cent, and real yields that are among the highest available in the bond markets", J.P. Mor-

gan says. The core European markets of Germany and France gained at the expense of the higher-yielding markets of Italy, Spain and Sweden. Interest rate rises in Italy and Sweden were seen by investors as "portents to rate rises by other continental European central banks", triggering losses

across European markets. Sweden, which saw a return of minus 0.93 per cent on the month, also suffered from investor concern over beightening political tensions ahead of the general election.

The worst performer in August was the Danish government bond market, with a return of minus 2.76 per cent in local currency. The average rate of return across all countries was minus 0.46 per cent. The UK gilt market was boosted by economic data which pointed to low inflation. banishing fears of an early rise in interest rates".

US Treasuries posted a gain of 0.13 per cent in Angust, with unhedged dollar-based investors benefiting from the dollar's recent decline.

## **Commodities fund** launch delayed

By Antonia Sharpe

Unexpectedly strong interest from Japanese investors in a commodities fund which is about to be launched by BZW Investment Management (BZWIM) has prompted a delay in the publication of the pathfinder prospectus to allow time for it to get clearance from Japan's ministry of finance.

To tap Japanese demand, BZWIM needs to register the closed-end fund as a private placement with the MoF. The process includes translating the document into Japanese and answering MoF queries. Mr Ronald Gould, the BZWIM managing director in charge of setting up the Jersey-

based investment company, said the prospectus, due to be published next Monday, would now be released a week later. The strong economic rebound in the US and parts of Europe, coupled with signs of a

aroused investor interest in real assets, such as commodi-ties, because of their characteristics as an inflation bedge and a play on economic growth.

"You will dampen risk and

resurgence in inflation, has

volatility in a portfolio by introducing commodities as an asset class," said Mr Gould.

In his view, an allocation of 3 to 5 per cent of total assets to commodities would achieve the hest results. However, he estimates that in the UK, only a tiny amnunt is invested in commodities, while in the US, where investors are more comfortable with commodities, they only account for 1 per cent of pension fund assets. BZWIM, which has around £50bn under management, will be investing in the fund, which

is expected to attract at least £100m from institutional inves-The benchmark for the fund will be the Goldman Sachs Commodity Index. Mr Gould hopes to nutperform the index by up to 10 per cent by giving a greater weighting to industrial

materials and energy, which should benefit the most from stronger economic growth. The fund will use exchangetraded futures contracts to gain exposure to commodities but they will be re-packaged in the form of notes issued by highly-rated banks or through

swap agreements with banks. This buffer is designed to counter any discomfort among investors to direct exposure to futures and to allow institutions that are not able to buy futures to invest in the fund.

#### **Greece names OTE banks**

**By Antonia Sharpe** 

The Greek government has appointed 10 foreign banks to act as global syndicate members on the international tranche of the its planned partial privatisation of OTE, the Greek telecoms monopoly.

They are: ABN Amro, Banque Paribas, Bear Stearns, BZW, Deutsche Bank, James Capel, Lehman Brothers, Salo-

and Yamaichi. The syndicate will be managed by CS First Boston and Schroders, which were appointed joint global co-ordinators of the issue in May, along with National Bank of Greece.

The government hopes to raise around \$1bn from the sale of 25 per cent of OTE's shares and the offer should take place before the end of the year. It plans to sell 75 per cent mon Brothers, S.G. Warburg of the shares abroad.

## Ten-year issues in Canadian dollars

By Graham Bowley

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The Canadian dollar market saw two 10-year eurobond offerings yesterday as borrowers took advantage of the recent revival in the underlying Canadian government bond market.

#### INTERNATIONAL BONDS

BNG launched a C\$250m issue, priced to yield 22 basis points over the 6% per cent Canadian government bond due 1994. Lead managers ABN Amro reported demand from retail investors in Belgium and Luxembourg but about 60 per cent of the bonds are expected to be taken up by European

institutional investors. The Canadian dollar market the long end, and investors in particular like the spread against the US market, syndi-

cate managers said. He-de-France launched a C\$85m 10-year bond, priced to yield 16 basis points above the 61/2 per cent Canadian government bond due 2004.

The eurobond market also saw a flock of other issues yes-terday, mainly small, shortdated deals aimed at retail investors, including fiva US dollar offerings.

"This signifies that the dollar market will be the market of choice in the fourth quarter rather than more peripheral markets as borrowers go for safety," said one syndicate

Ford Credit Europe tapped the US dollar market with a \$200m three-year offering priced to yield 37% basis points currently offers good swap above the 6½ per cent 1997 opportunities, particularly at Treasury. Syndicate managers

Amount m.	Goupon %	Price	Maturity	Feed %	Spread bp	Book runner •
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					TO PEUP PEUP	Goldman Sache Singepore
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		99,908	Oct 1995	0.108		Swiss Bunk Corp.
60	(41)	100,00	Jul, 1990	unded	-	Chase Investment Bank
10bn	4.25	100.00				CS First Boston
10bn	4.22	100.00	Sep.1999	undect	-	CS First Boston
300	(e)	100.02	Sep.2001	0.20	-	DG Bank
400	O	99.59	Sep.2001	0.50	-	DG Bank
250	9.125	99.84R	Sep.2004		+22(51/1%-04)	ABN Arro Bank
86	9.00	99.318	Oct.2004	0.325R	+18(814%-04)	Perioes Capital Markets
150bn	11.00	101.125	Oct.1998	1,125		Swiss Bank Corp.
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said the deal was a success and lead manager Goldman Sachs said the bonds were mainly 1999. sold to Swiss retail investors.

also tapped the dollar market, with a \$150m five-year issue

priced to yield 56 basis points over the 6% per cent Treasury

Syndicate managers said the pricing was ambitious for an Volvo Group Finance Europe unrated borrower and that the bonds were pitched at a less

Open Int

popular area of the curve. The spread widened slightly in later trade. However, lead manager Merrill Lynch said it saw significant interest from Swiss and Benelux retail investors

and institutional investors.

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ist vol. to	-			al, e obeu p	rL, Calls 13618	2 Pula 1384	09			Othe of 1005		Je1. 608	D FOILURE	<del>_</del>	
	NAL MEDR	SA TERM (	BERMAN	GOVT. B	OND			-	Open	Close	Change	High	LOW	Est, vol	Open int.
- 50.50	MAT INCOME	250 000 10	Other of 10	00%				Con	107 97	_	_	108 12	107 95	307	0

Sop .	Ореп	97,		-0.25		•		. 0	76		IFFE CON	tet.	tracked	on APT	. All Open interest Sgs. a	ue stox b	revious day.			
UK GI	LTS P	RICE	s .								×		_	_						
	Holinis	ã Y	Red	Price E	+&-	High	994 Low	Motion	E.	Told	Prior 2	+ 07 -	High	994	Nafer		CO Price E	+#-	High	1994 . Lo
								Trees 11/29C 2001-4	10.15	1.82		+14	1203	119%	Index-Listed (5)					
jast Bac 1884 Bosts, (Chee	ap to Fire Yo	8.93	5.20	100%		10313	100		441	7.40	7213	-4	863	71/4	45-pc '88##(135.8)	252	3.79 1993.4 3.47 1973.	+45	2035 113&	197
12ac 1985		11.71	5.53	10212		107 3	102 2	Compation 912pc 2004	. P'36	8.58		120		193	21 <sub>0</sub> c '01	COS.	SAT WITH	1	175	
ek Sze Ozn 1	70,760	3.05	5.58	98,4		98.	97	Trees 6-laps 2004#	7.63	8.43		-	1057	858	21gpc T3	3.28	3.72 1814	-1,	173	
04 ac 1835		9.92	8.31	10333		10733	10311	Com 9 12 pc 2005	6.92	8.54		+50		1007	4 ac 74#	1.39	3.70 1094	-1-	1184	10
14 an 1	986#	11 94	6.72	105	Late		10613	Trees 12 200 2003-5	10.24	1.00			143	1194	2nc 108 558.39	3.46	3.71 1984	- 1	18413	
Luc 1996	1004	12.83	6.91	109 <sup>1</sup> e		117,	1091	74pc 2008##	8.21	5.40		+3	11213	017	21200 '09 78.50	351	173 153.4	-1-	168.7	
Apr 1996	**	13.57	7.15	112%	**	131	1094	Apr: 2002-011	8.37	8.50	25.64		1115	834	290: 71	2.55	3.74 1585		175	1
13 Lpc 16	*****	12.11	7.22	1093		1178	10433	Trees 11 4coc 2003-7	10.00	8.91	11612	+3	135 &	113%	21 <sub>200</sub> 13@9.23	2.57	3.74 130%	- 1	14614	
menter the	rc 1996	9.54	7.5 <b>2</b>	10465	+43	1123 100%	-	Times 81200 2007 ##	8.50	8.48	1004	+45	1197	9512	21290 18 \$1.5)	3.80	3.75 139%	414	157	Ľ
CON THE	199714	710		30 4.0	+3	12112	1113	131200 2004-8	10.45	0.00	129430	+4	161&	1254	21200 20	183	3.77 1334	ale.	152批	
a 134mc 1	997#	11.55	7.67	1115	7	1146	10543	Trees Sec 2000 \$#	8.64	LE	1044		12423	101	21255 24#(\$7.7)	3.51	174 1115		129	
101 <sub>200</sub> 11	967	9.91	7.77	10512	-7		101 1								41-px '30##(!35.1)	3.55	3.78 110%		1284	
<b>is 6 kpc 18</b>	<b>197</b> ‡‡	8.57	7.94	11683	+1		1184								Prospective real recent	स्रोठत व्ह	a ou budects	d Hallie	on of C	1) 1
h 150c 199	7	12.63	6.10 6.14	1048	+4		10312								and (2) 5% (b) Figur					
Agre 1936.	-	6 33		97.04	+ 4	105.7	967								indexing (e 0 months p	TOT TO	issue) and he	No Dear	1200	stec
15 74pc 19	WC##	7.45	0.12	158	+4	102	0412	Own Pillow Years							reflect rebesting of RPI to 3.945. RPI for December	0 100	January 190	. COM	BESICI	I
<b>as 6 kgc</b> 18	95 <del>-9611</del> -	7.07	8.75	1175		131 4	11652	Tress Spc 2009	8.33	146	98.50	+&	115,2	93	WHEN US IN THE PROPERTY.	1 1550	1413600	July 13	34. I4	~~
lpc 1956-1		12.43	8211	136GH	+4	140.4	123%	Tress & 1/4pc 2010	7.85	1.12		-1		78.3	A					
L STORY		1067	8.38	11213	+	1254	11174		1.58	1.42				103-5	Other Fixed b	TOP	<del>2</del> 5t			
172pc 190		9.13	132	1043	+3	110.5	103*4	Trees 9pt 201222	8.55	8.41	1054			1014				•		
n 95 <sub>20</sub> c 19		3.14						Trees 51-00 2008-1241	7.38	8.18		+3		724		-1	56d,		_1	994
								Trees Sec 2013##	1.20	1.37	9815=		1178	92.3	Notes	100	Red Price E	+07-	Figb	Ĺ
								74 os 2012-1512	127	2.34	952		1144		The second second					_
								Total Shar 2017#	8.40	133	104%			917		9.25	8.82 1194	_	14244	17
							_	Pack 120c 2013-17	2.09	1.57	13133			1274	Asian Der 104-pc 2009	9.19	6.02 111B	_	1384	10
in Pilitan		10.73	R 44 3	1443	**	109.6	113.4	EDITAL 2013-17	3,03	4.31	19137	+25	130-2	124	6 hath 11 2pc 2012	1.55 8.57	9.34 118%	-	142	
13 April 19		0.74	8 42	10712	+4	121 4	108%								90c Cap 8 <sup>2</sup> gpc "10	8.07	- 100 <sup>1</sup> 2		1007	
E 10120C	999	660	9.27	10,520	44	10137	89 T								13nc W7-2	11.98	- 108 <sup>1</sup> 2	77	115%	19
M 8pc 1991	TT	9.55	8.50	197人	+4	12133	99G								Hydro Onebec 15pc 2011.	10.69	8.73 1429		16911	13
MOTEOR TU	LEC 1659		-	99(30)	+14	100 Å	101								Leeds 13 <sup>1</sup> 25C 2008	10.57	- 1274	_	140	12
as Ping Photo nc 2000dat.		6.80		CAR	+4		1184	Section .							Liverpeol 31 <sub>20</sub> c lyred	0.46	- 37	=	44.4	3
pr. 200044- pp 13pc 200		10 36		11923	***	1224	104.4	Consolo 4pc	8.64	-	464	+4	594	443	LCC 3pc '20 Aft	9.23	- 32%		4012	2
Bac 2001		9.38	6.60	92点	**	105.4	90.	Wer Loan Stypett	1.36	-		+2	5433	33(5	Manchester 11 200 2007 .	19.02	9.51 1144		135	1
pc 2001 #		7 01	8.47	912	- 7	1017	8013	Cam 32:96 \$1 At	£10		5713	+13	71	254	Met. Wy. Spc B	438	6.10 685	_	78	6
7se 2001 A .		7.61	8 45 8.64	100%	44	22.4	103	Trees Spc '65 Aff	6.60		347	+4	44%	22	White Arges \$7 pt 202).	-	4.41 1334		150%	12
Lac 2002		9.19	6.55 2.55	9613	-3	113提	94,4	Coppets 21200	842	-	2915 m	+4	3812	284	Pape 1 2024		4.37 1284		1454	. 12
Sec 200311		829		106/24	-11	1274	105/3	Trees. 21/290	68.6	-	201-00	_	37-2	2733	176 Mar States 15°-3°c 2008	1201	- 157		1592	231

	T-ACTUARIES	FIXED	Day's	ICIMIL TE	CES Accrued	and excl.				wield	- 10			10-6		
	K Gáta	Sep 1	change %	Aug 31	Interest	ykt		Sep 1		Yr. ago			Yr. ago	Sep 1	Aug 31	
1	Up to 5 years (24)	120,18	+0.10	119,99	1.35	8.01	5 yra	8.36	8,39	6.35	8.46	8,49	6.49	8,59	8.63	6.6
2	5-15 years (21)	140,43	+0.20	140.29	2.00	B,82	15 yrs	8.38	8.41	7.09	8.51	B.54	7.23	<b>a</b> .75	8.79	7.4
<b>a</b>	Over 15 years (8)	155.49	+0.34	155,96	0.87	9,81	20 yrs	8.35	8.38	7.23	8.51	B.54	7.33	8.61	8,65	7.5
4	irredomnables (2)	179.06	+0.53	178.83	2.26	8.83	Irrect.†	<b>B.45</b>	B.47	7.43						
5	All stocks (80)	137.47	+0.21	137,25	1.60	8.79										
										on 5%			— infletio	n 10% -	_	
h	dex-linked							Se	p 1 Aug	31 Yr.	ngo .	Sep	1 Aug	31 Yr.	<b>Bgo</b>	
6	Up to 5 years (2)	185.78	+0.08	185.60	0.68	3.95	Up to 5 yrs	3.	.68 3.	71 2	.52	2	60 2	62 1.	74	
7	Over 5 years (11)	174.54	+0.10	174.37	0.86	3.48	Over 5 yrs	3.	75 3	76 3	26	3.	58 3.	57 3.	.09	
0	All stocks (13)	174.83	+0.10	174,67	0.84	3.49										
								5	your yle	M	15	Year yle	ld	25	year vi	old
De	sbentures and Looms									Yr. ago		Aug 31			Aug 31	
9	Debs & Loans (75)	129.33	+0.31	128.83	237	7.40		9.55	9.58	7.74	2.48	9.51	8.10	9.41	9.45	8.2
	wage gross redemption						KARRIE LAND						410	0.41	0.40	0.2
•	andle Arrest tones there;			WI DEILD. L		, ,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	A-IONAL INGIE		O40. 7 14	- 7 74	100 10 1					
-	T FIXED INTE	REST II	<b>NDICES</b>				GIT.	T ED	GED A	CTIVI	TY IN	DICES				
•	Sec	1 Aug 31	Aug 30 Aug	28 Aug 25	Yr ago	High" Lo	w*			Aug	31 A	G 30	Aug 26	Aug :	25 A	wg 24
•																
_		10 01.98	91.74 BZ	03 91.80	102.15 1	07.04 90	.99 Gat E	dged be	romins	84.	3	821	76.7	75.	5	74.4

FT/ISMA INTERNAT	ONA	L BC	ND	SEF	WICE									
					in secondary market. Latest prices at				r 1 Ylekt				_	
LIS. DOLLAR STRAIGHTS	546	UMM	uig.	190	lesued		2014	-	8.53	Abboy Natl Treesury 0 08 E 1000	92½	Offer 92%	Chg.	
Albay Nas Treesury 6 <sup>2</sup> 2 00 1008	92	824	410	7.79	United Kingdom 7% 97 5500 Volkswagen Infi Fin 7 03 1000	B87	201-4	3	7.57	Alience Unics 11% 97 F 1000	1062	107	+1	8.3
hests Progress 7% 99	101	1021		7.12	World Bank 0 15 2000	203	205	•	7.75	British Land 87: 23 £ 150	8012	90	12	102
untrin 8 <sup>1</sup> 2 00 400	10512	1054	+10	7.22	World Bank 0 15 2000 World Bank 57, 00 3000 World Bank 63, 00 1250	883	897	-4	7.45	Affance Leics 11 <sup>3</sup> s 97 £ 100 British Land 87g 23 £ 150 Denmark 63s 88 £ 000	90	843	+1	5.5
Lastris B <sup>2</sup> 2 00	105-	100		6.70	World Bank 8-4 00 1250	1005	110	-5	6.63	EB 10 97 E 637 Hadiex 10 <sup>5</sup> a 97 E 100 Harson 10 <sup>3</sup> a 97 E 500	204	T0474		8.6
50gum 51 03 1000	5001	1025		7,74 6,77	SNASS FRANC STRAIGHTS					Hallex 10% 97 E 100	1045	104	44	82
FCE 74, W 150 ordsh G== 0 21 1500	4177	114		B.51	Asian Dev Baris 5 70 100	100%	1012		5.95	HSBC Holdings 71.08 02 £ 153	1044 1103	1107	+	8.7 9.7
Aneda 9 95 1000 Anoung Kong Fin 5½ 96 500	1037	104	44	5.24	Austin 4 <sup>3</sup> 2 00 1000	963	967	442	5.16	Marky 10 <sup>1</sup> 2 14 E 400	1085	108	412	9.5
houng Kong Fin 512 96 500	905	9120	44	8.30	Council Figure 41 49 250	DO 1	100 <sup>1</sup> g	+10	4.82	Japan Day Bk 7 00 £ 200	9212	92%	+14	84
7 1000 1000 1000 1000 1000 1000 1000 10	8812	99		BAS	Denmark 4 <sup>1</sup> 4, 98 1000 58 6 <sup>1</sup> 4, 04 300 Bloc do France 7 <sup>1</sup> 4, 08 100	853	957	+1-	5.22	Uend Secs 9 <sup>2</sup> 2 07 € 300 Coturio 11 <sup>1</sup> 2 07 € 100 Powergen 8 <sup>9</sup> 6 03 € 250 Severn 7-rent 11 <sup>1</sup> 2 99 € 150	967	993	_	9,6
aunci Europe 8 96	10212	100		8.57	58 64 04 300	10B	10512	***	5.94	Ontario 11 <sup>2</sup> 01 £ 100	1085	109	44	9.2
300 Forder \$1,99 300	1054	1081	428	7.13	Entrari 21- DD	1064	100	-74	5.24 5.80	Source Trace 11h 00 C	41003	97°2	+10	9.
Permark 5 to 95 1000 set Jupen Rathey 5 to 04 600	92	92	+10	7.84	Finland 7 <sup>1</sup> c 99 000 Hyundai Motor Fin 8 <sup>1</sup> 2 97 100	1064	107	44	6.17	Tokyo Blec Power 11 01 £ 150	1083	1094	7	9.1
CSC 84: 98 193	1031	1034	7.	6.89	Izeland 75- 00 100	100	108 <sup>1</sup> 0	412	5.98	Abbey National 0 96 NZS 100	IOU I			-
EC 8% 08 100	1027	103		5.48	Kobe 6 <sup>3</sup> g 01 240	104	104%		5.66	TCNZ Fin 914 02 NZ\$ 75				
CSC 84; 96 183 EC 84; 08 190 8 74; 98 250	10274	1025		6.41	Octario 6% D3	101%	101%	+16	B.07	Credit Local 6 01 FFr 7000	697	80 <sub>1</sub> 6	پو_	74
25 8 <sup>1</sup> / <sub>2</sub> 97 1000 Sec de Franca 0 86 200 brolling 8 <sup>1</sup> / <sub>2</sub> 97 100 o-lan Sank Japan 8 02 500	107	1074	+40	6.73	Clumber Hydro 5 08 100 SNCF 7 04 450 World Bank 5 00 150	85 <sup>1</sup> 2	87	-1	6.65	Bec de France 61, 22 FFr 3000	101	101/2	÷	8.1
ec de Franca 0 96	1057	105	+10	7.04	SNCF 7 04 450	10B	1083		5.92	SNCF 914 97 FF7 4000	10432	1047	-1-2	7.2
TOO TOO	104	1043	.1.	5.37	World Bank 5 00 150	10,5	97	+10	5.50 5.50	FLOATING RATE NOTES				
Several Day Councils Co	102-2	1084	44	7.55 . 7.08	World Bank 7 (7) 600	108	10812	178	5.30	Introd	Bid	00	_	Ca
Separt Dev Corp 81/2 98 150 Valeni Nef Mort 7,40 04 1500	OSI-	90%	+12	7.81	YEN STRAGETS									_
riand 8% 97 3000	887	1003	•	6.90	YEN STRAGERTS Belgum 5 89	102	102%	410	4.56	Abbey Nat 7 may y - 1, 99 1000	99.27			450
Friend B <sup>2</sup> s 97 3000 Friesh Export 9 <sup>2</sup> s 95 200 Ord Motor Credit 6 <sup>2</sup> s 98 1008	1033	103 4		6.22	EBS 651 00 1000000	18912	100%	44	4.63	Benco Florina 0 99 200 Belgium 16 97 DM 000 BFCE -0.02 08 350	98.86			4.78 5.12
and Mater Credit 64: 99 1006	9712	87%	449	7.30	Firland 5% 96 50000	1054	10512	Ī	3.24	BECK ORS ON SED	100.12 99.73			45
en Bec Caphal 9 <sup>1</sup> g 88	1047	105		6.49	Inter Amer Dev 74 00 30000	1125	1127	410	4.67	Debuggle 0 10 00 C 150	89.92			541
WAC 94 95 200	1034	103	÷.	0.86	taly 34 <sub>2</sub> D1 300000	914	914	44	5.12	Caradia 1, 98 2000 CCCE 0 08 Exu 300 Cecta Lyorania 1, 00 300 Denmark 1, 98 1000 Dresdner Finance 1, 96 DM 1000	99.16			4.62
1 58 Japan Hr. 74, 47 200	1017	1021	+4	7.15	Japan Dev Bk 5 98 120000	110	1025 <sub>L</sub>	+14	4.44	CCCE 0 08 Ecu 300	98.93	99.	15	5.02
+ 65-73 200	224	8212	1	8.47	Monon Tel 7el 57- 08 90000	104%	1054	1	3.38	Credit Lyonnais 1 00 300	07.84			5.31
pan Day Pk 85 M 000	1005	105	7	7.43	November 53s 97 150000	104	1042	44	3.63	Dermark - 96 1000	99.55			5.08
resi Bec Per 10 06 350	105	1053	•••	6.52	Japan Dev Bk 6½ 01   120000   120000   120000   140 5½ 08   50000   50000   50000 6½ 00   120000   120000   50000 6½ 02   1200000   1200000   1200000   1200000   1200000   1200000   12000000   120000	110	1104	1	4.64	Dresdner Finance & 98 DM 1000	99.09			5,09
by 6 <sup>5</sup> g 23	67%	677	٦,	8.58	Spain 5%, 02 125000	105%	10512	410	4.86	Ferro del Stat 0.10 97 420	99.99 99.95			491 537
CB Fin 8 97 200	1017	10232	410	7.08	Sweden 4 15 150000	1034	10112	478	422	Firstand 0 97 1000  reland 0 98 500  mby <sup>7</sup> 4 98 2000	99.61			488
C22 Fin 19 97 200 dissushits: Size 7 <sup>2</sup> 4 C2 1000 away 7 <sup>2</sup> 4 W 1000 away 7 <sup>2</sup> 5 W 2000 away 7 <sup>2</sup> 7 W 2000	97%	981	410	7.78	Wasti Bank 61, 02 250000	103	103 <sup>7</sup> 2	416	4.63	hate 4-98 :2000	100.11			5.00
rway 74, ₩ 1006	1017	1015		6.64						UKB Beden-Wuert Fin -13 08 1000	98 42			458
300		105 L	*	7.25	OTHER STRAIGHTS	1001	107%		7.49	Lloyds Bank Perp 5 0.10 600	83.75			541
SEE NUMBER 87 11 20	100-5	1054	44	7.39	Genference Lax 9 <sup>1</sup> g 99 LFr		103		8.15	Malaysta & 05 690	99.43	99.1	80	525
sto-Canada 7 <sup>1</sup> 4 95 200 raugal 5 <sup>1</sup> 4 00 1000	101 272-	87%	rle.	6.59 7.90	World Bank 896 Lift 1000	102	10112		7.62	Matayata & 05 650 New Zeeland ~ 98 1000	99.55			4.812
ster item 8L CB 150	1071	1091	-	7.A7	ABN Amio 65a 00 FI 1500	B7	971	4	7.28	Ontario 0 96 2000	99.37			493
uebac Hydro 94; 99 150 uebac Prov 9 99 200	1043	1053	7	7.42	Bank Med Gemeenten 7 03 Fl _ 1500	9612	067	٠,	7.58	Plente 0 08 500	99.37			5.12
instant 94 96 150	10414	1044		6.69	AlbertaProvince 105g 96 CS 006		104	7	7.81	Societe Generale 0 96 300	99.55			4.03
instury 9 <sup>1</sup> 4 96 150 45 10 99 200	1087	1074	440	6.00	Bell Canada 10% 99 CS 150	105%	105%		9.22	Staatsbank Berlin -0.05 95 DM _ 6000	99.84			4.85
CF 9 <sup>1</sup> s 98 150	108	1063	4	7.07	Bell Canada 10% 99 CS 150 British Columbia 10 96 CS 500	103	1003	475	1005	State Bk Victoria 0.05 99	99.59			5.11
min Rin 000 1000	974	8712	44	7.18	68 10 <sup>1</sup> 4 08 C\$ 130	105%	1065	+4	915	Sweden 0 99 1000	99.92			4.62 4.62
#8 Bk MSW 812 05 200	1031	103 <sup>1</sup> 2	44	6.51	Bec de France 94, 99 CS 275	1091	104%	41	8.79	Sweden -1g 01 2000 United Kingdom -1g 98 4000	99.70			4.50
Peden 5 <sup>1</sup> 2 86 2500	99%	99 <sup>1</sup> 2	-	6.12	Gen Blec Capital 10 98 C\$ 300	102%	10312		8.15	Custo seriboru 66 4000	841/6	981	54	1,000
meden 5 <sup>1</sup> 2 86 2500 wedish Export 8 <sup>2</sup> 2 98 700 skyo Bec Power 6 <sup>1</sup> 4 03 1000	1027	103		6.39	KSNV int Fin 10 01 C\$ 400	103%	1042		9.16	CONVERTIBLE BONDS				
kyo Eec Power 64 03 1000	901	804	+4	7.69	Nicopon Tel Tel 1014 99 C\$ 300	105%	186	+4	8.89		OENL.			
NO Metropolis 84 95	1034	10312	+10	0.58	Ordanio 8 63 C\$ 1500 Ordanio Hydro 107, 89 C\$ 000	8C,5	824	4	9.50	Instact 5		pies O	- E	) THE
Note: Motor 5 <sup>5</sup> s 98	964	963		6.68	Ontario Hydro 10% 99 CS 000	10678	1071		8.01				_	_
and Kangdom 74 02 3000	967	257		7.A	Oster Kontrollberik 10 <sup>1</sup> 4 98 CS 150		106	+4	8.81					160.7
010 Bank 83 99 1500	106	1064	4	7.07	Quabec Prov 10 <sup>1</sup> 2 98 CS 200	1047	105 <sup>1</sup> 3 102 <sup>3</sup> 4	+18	911 7.30	Chubb Capital 5 96 250	96			<del>(</del> 187
1903 Park 6-f At	TES'4	10512	418	6.55	Belgium 9 <sup>1</sup> ; 86 Ecu 1250 Council Europe 6 01 Ecu 1700	1027	1025	4	8.56	Gold Kalgoodie 712 00	554 11	102 1		+17.3
EUTSCHE MARK STRAIGHTS					Credit Lyconeia 9 86 Eq		10212	•	7.73	Herson 8 <sup>1</sup> 2 86 £ 000 2.5		19 2 11		+11.0
2000 Elip 24 2000	-	8314	12	8.02		1014	105		7.78	Hanton America 2.39 01 1000		54 7		
dit Fonder 71/4 03 2000	83 85	987	7	7.57	Ferro del Stat 10 <sup>1</sup> 2 98 Ecu 500	105	1055	يد.				130		
nmark 6 2 96 2000		26%	-4	6.55	129y 10% 00 Esu 1000		1081	-	8.58	Latti Sect 64 IE 2		26°p 100		122
pts Presco 6 to 23 1500	923	9212	-3,	7.55	Spain 0 95 Equ 1000	10235	1023		7.38	Laemo 7 <sup>3</sup> 4 06 £ 90	104 C		84 91 d	-70.3
usche Bk Fin 7 <sup>1</sup> 2 03 2000	995	1002	3	7.55		1034	1037		8.33			104 1		-6.6
C 5½ 00 2800	97%	277	7	6.99	AIDC 10:99 A6 100	10314	1035	-3-	9.12	management of S. S. Schwerter, and A. S.		W 12		41.7
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exposé

fails to

The long-awaited article that has helped trigger controversy over the image of Body Shop International, the cosmetics and toiletries group, was pub-lished wastered to the

Some commentators expressed donbts about the

potency of its revelations,

while Body Shop flatly

Mr Entine said there had

been a "wide gap" between promises and delivery to Body

Shop'e franchisees. He accused the company of having used off-the shelf product formulae filled with non-renewable pet-

about the exotic origins of

some of its products. He said it

had a history of legal threats against journalists seeking to

publish details behind the

Body Shop yesterday called the article "recycled rubbish" and hinted at possible legal

action by saying it was review-ing its position and would

defend its reputation. "It is a

mish-mash of defamatory and

actionable falsehoods. It con-

tains distortions, shoddy

reporting and views of severa

unqualified or biased sources

Business Ethics decided not

to publish or circulate its edi-tion in the UK following threatened legal action by Body Shop, but a number of

analysis have obtained details.

Mr Peter Webster, executive

ment Research Service, said: "It doesn't seem to add up to

its claims. It doesn't sound

like the end of an institution."

He said it did not contain

many of the positive aspects of the company'a activities, but said his organisation was plan-

ning to complete a full report by next week on Body Shop.

Mr Rod Whitehead, analyst at Goldman Sachs, said: "I felt

that if [the article] came up

with some fairly serious alle-

gations, and these were given a fair amount of publicity in the popular press, that could affect sales quite badly. But

my impression is that they have not come up with suffi-ciently new and serious allega-tions."

The company, which has made two acquisitions of fund

management groups in the period, said it would continue to look out for further opportu-

Mr Michael Bryant, market-

ing director, said: "With over £1bn under management, we

are looking to attract other

or so-called experts."

shock

and its practices.

rejected its contents.

micals.

## Trimmer Rolls-Royce at £40m

Aerospace Correspondent

Rolls-Royce, the aero engine and industrial power group, yesterday reported a 29 per cent rise in pre-tax profits for the first half of 1994 despite a

14 per cent decline in sales. The higher profits of £40m (£31m) reflected the company's cost cutting and restructuring drive, which offset continuing difficulty in the aerospace and industrial power markets. Sales fell from £1.75bn to

Sir Ralph Robins, chairman, said he did not expect any improvement in market conditions until 1996. The company's restructuring

programme, however, involv-ing the closure of six plants and the shedding of 6,500 jobs by next spring was running ahead of plan, placing the group "in a good competitive position to take advantage of the orders which are expected over the longer term". \*Conditions

remain extremely challenging in all

productivity coupled with the completion of the major part of our Trent civil engine development programme will enable us steadily to improve performance," Sir Ralph said. Trent engines will power the new Boeing and Airbus wide body

Sales in the group's aero-space activities fell from £1.08bm to £924m with profits before interest of £3m (£5m). However, the company expected civil engine deliveries for the year to be similar to the 1993 level. As expected, military engine deliveries were

Sales in the industrial power operations fell to £576m (£674m), while profits before interest rose to £37m (£35m). The company's cost cutting drive has led to an improvement in operating margins to 9.9 per cent (8.9 per cent). The current order book

totalled £5.9bn, excluding a further £1bn of announced orders not yet subject to formal con-

tracts, the company said. The balance sheet remains strong with net cash of £309m

at the end of June. Excluding last year's rights issue, net cash has improved by 2134m over the last 12 months The interim dividend is held at 2p, payable from earnings per share ahead to 2.53p (2.21p

Although Rolls-Royce shares closed 8p down yesterday at 180p, the interim figures were in line with most City estimates. The company is still having to ride the bottom of the aerospace cycle which is unlikely to turn before 1996. However, extensive restructuring and productivity improvements should put it in a strong position to take advantage when the upturn eventually occurs - after a recession in the industry which started in 1990. The company has also continued to invest in expand-

range, which has placed it in a much stronger competitive position against its US rivals

than in earlier industry cycles.

But there are unlikely to be

any short-term miracles and



Sir Ralph Robins: challenging

#### the company is likely to face another 12 to 18 months of

hard slog before it finally sees its main markets. A full-year forecast of £100m pre-tax, against £76m last year, leaves the shares on a forward multiple of nearly 29 even after ar 18p fall in two days.

He suggested there had been quality control problems, that only a tiny amount of its "trade not aid" programme and that its charitable contributions fell short of company He reported claims that **Body Shop invented stories** 

at the time of the British Telecom and Wellcome share issues", both more than 14 months ago, as the driving force behind its latest decision.

likely by the end of this year.

## SE considers short selling regulation

By Simon Davies

The Stock Exchange is to consult stock market participants on the potential regulation of short-selling, in the wake of complaints over the impact of speculative short sellers on recent share offers. The Exchange said it would issue a con-

sultative document during September to tap views "on proposals for dealing with concerns" over short selling. Short sellers drive down the share price

of companies which are arranging sub-

stantial share issues by selling shares that they do not own. Speculators can then balance their "short" positions by buying cheaper shares through the secondary market issue. SG Warburg, brokers to the Treasury for

last year's BT3 share issue, tried to persuade the Stock Exchange to implement rules to prevent substantial investors from driving down the British Telecom share price prior to the offer. The request was ber of large institutions.

of the Securities and Investments Board, gave a speech last July urging the Exchange to introduce rules governing short selling prior to secondary market

### Michael Page ahead | Motor side helps Barr sharply to £4.35m

By Peter Pearse

Shares in Michael Page Group rose 24%p to 114p as the international recruitment and executive selection consultant announced pre-tax profits more than doubled from £1.57m to £4.35m for the first half of 1994. Mr Terry Benson, chief exec-

conditions had helped all the UK businesses exceed expectations". This was in contrast to the "mixed progress" on the Continent. Group turnover expanded

from £23.4m to £34.2m. The previous year's figure, however, included £1.16m from LBW France, which has since been sold. Operating profits were £4.19m, against £1.49 – including losses of £109,000 from LBW France

Within the UK, turnover was divided as to 70 per cent per-manent recruitment and 30 per cent temporary. Revenue in the permanent side rose more than 51 per cent and the temporary side "higher than that". Michael Page Marketing and

## & WAT advance 40%

By Peter Pearse

Pre-tax profits at Barr & Wallace Arnold Trust, the motor distribution and leisure and holiday group, advanced 40 per cent from £663,000 to £928,000 in the half-year to

operations, which, including the concomitant financing and MOT sides, outperformed the

As part of plans for "con-

trolled expansion", the group bought in August a Mercedes

dealership in Bristol for

new car side.

spite of greater losses in leiat the French operations enjoyed a substantial increase, being well past the worst" as the economy recovers. Mr Benson was more cautious about (£1.42m) on divisional turnover Germany and the Netherlands, where trading conditions conup at £82.2m (£68.2m). Mr John Parker, chief execu-

tinued to be difficult. The outtive since May when Mr Mallook, however, seemed brighter, and another German colm Barr, chairman, ceded half the dual role, said new car sales, were ahead of the market. office is to be opened in Frank-The group is also planning to The group took steps to open an office in Hong Kong. develop its used cars sales

In spite of the start-up costs, Mr Benson is expecting long-term rewards from the The interim dividend is raised to 0.8p (0.6p), payable from earnings sharply up at 4.45p (1.65p) per share.

£20m Expansion Capital Package

WATES LEISURE LIMITED

Negotiated, Led and Arranged by

**Phoenix Fund Managers Limited** 

Institutional Equity Underwritten by

The Phoenix Development Capital Fund

Senior Debt Provided by **Bank of Scotland** 

Legal Advisers

Herbert Smith (Phoenix Fund Managers Limited)

Lovell White Durrant (Bank of Scotland)

Norton Rose(the company and its existing shareholders)

Reporting Accountants

Coopers & Lybrand

Financial Advisers to the Company Cazenove & Co.

Auditors to the Company

Slater, Chapman & Cooke

Phoenix Fund Managers Limited

A member of IMRO

Sales expanded further and, as

a result, Sales Recruitment

vide sales representatives at

the lower end of the pay spec-trum. Mr Benson said the

accountancy side expected to

open two more offices by

December, bringing the total to

£3.66m, bringing the total to eight dealerships.

Mr Parker said he was brought in to "look at changing the culture of the company", though he stressed that Mr Barr was the only family member on the board and that the family was being proactive in the process. The group has The rise was achieved in 2.45m ordinary shares and

back of a 39 per cent increase at the operating level in the motor distribution side. Here The leisure and holidays side incurred losses of £820,000 (£538,000) on turnover of £31m profits emerged at £1.98m

Group turnover rose 15 per cent to £124m (£108m). Earnings were 4.8p (3.5p) and the interim dividend is held at 3p.

Compass

Mr Francis Mackay, chief executive of Compass, yester-day added the title of deputy chairman of the acquisitive contract catering group. In March, Compass appointed Mr John Thomson as its non-executive chairman following the retirement of Mr Ingram Lenton on grounds of ill-health.

Rathbone, the quoted private banking and asset manage-ment group, increased pre-tax

profits 22 per cent to £3.07m, against £2.53m, for the first six

Turnover rose from £8.27m to £9.19m, while earnings per share gained 17 per cent to

10.55p (8.98p). The interim dividend is

months of the year.

Rathbone improves 22%

The Exchange cited "concerns express

A response to the consultation process is

## Body Shop Vickers ahead but shares fall on recovery warning

Shares in Vickers fell 7p to 1889 yesterday after the engineering group, which makes tanks and Rolls-Royce cars, said it was seeing only a patchy recovery.

Pre-tax profits nearly dou-

bled, from £8.3m to £15.9m, but were still slightly below mar-ket expectations. Sales were flat at 2330m (2331m).

Sir Richard Lloyd, chairman, said the recovery in results which started last year had continued, but this was more lished yesterday te the bemusement of investors and ethical researchers. article in US-based Business to do with plant rationalisation Ethics magazine written by Mr Jon Entine, highlighted a and efficiency measures than improvements in markets. series of alleged inconsisten-cies between Body Shop's mar-keting of its espoused ideals Sales of Rolls-Royce cars rose

slightly, from 683 to to 701, and higher sales in the UK and east Asia (excluding Japan) offset poor sales in North America. Sir Colin Chandler, chief executive, said he hoped by the end of the year to reveal the outcome of talks the group has been having with other manufacturers over collaboration on

new model programmes. Vickers will not say who it has been talking to, but is the purchase of V12 engines and other components from Mercedes-Benz of Germany.

Cosworth, the high-performance engine subsidiary, is still suffering from declining demand for special Ford Escorts and Scorpios, but is investing in a new factory for its castings business and an emission centre.

The group's defence system business now has a total order book of £1.5bn, following the government's recent confirmation of the follow-on order for 259 Challenger 2 tanks, in addition to the 127 tanks ordered in 1991. Sir Colin said the strength of this order book made the defence business a

ering collaborative projects.

The medical division's contribution fell, partly because of proposed Clinton healthcare reforms and tough trading conditions for distributors in continental Europe.

much stronger and more

The propulsion technology division continued to suffer from the depressed state of the aerospace business, but on the marine side the Swedish-based KaMeWa company had an outstanding" six months. Earnings per share improved

to 3.6p (1.9p).

The trading statement was deliberately downbeat, to lower expectations about the speed of likely recovery. But Vickers still looks in a strong position, following last year's £50m rights issue and the recent award of the crucial Challenger order. Capital investment is being increased - par-ticularly at Cosworth - and there is some scope for margin improvement at the tank factories. On a prospective multiple of 19, the shares cannot be called cheap, but a modest upturn in demand for cars will sharply improve the bottom line. The shares are unlikely to move decisively until the up reveals its decision over collaboration on the next pen-

## Restructuring behind rise to I£5m at Waterford Wedgwood

Waterford Wedgwood, the crystal and tableware group, yesterday announced figures described by Mr Tony O'Reilly, chairman, as its "best first-half results since 1987".

Mr O'Reilly said the increase in pre-tax profits, from I£400,000 to I£5.1m (£5.04m), "fully justifies the actions, ini-tiatives and strategies implemented in the past two years". Sales rose I£13.9m to I£149m, while profits before interest more than doubled to 1£7.9m (1£3.6m). Lower interest charges of 1£2.8m (1£3.2m) and a higher tax charge of 1£800,000 (1£300,000) left retained profits of 154.3m. The group has taken a charge of If L8m for restruct-

uring in both the crystal and china divisions

Wedgwood sales were up 8 strong growth. Stakis buys only casino on Isle of Man

Stakis, the hotels and casinos group, has bought the only casino on the Isle of Man for

The Palace Hotel and Casino, which will be renamed the Stakis Hotel and Casino, includes a 135-bedroom hotel, a bingo hall and a nightclub. Of the cost of the purchase, £3.16m will be used to repay the acquisition's borrowings. Stakis, which has been granted a 10-year gaming icence from the Manx government, plans to spend film on refurbishment.

Rank Leisure gets the Zoo & the Cage

Allied Leisure, the nightclub and ten-pin bowling group, has sold two nightclubs, The Zoo & the Cage in Bournemouth and The Venne in Poole and the Colonnades bar in Poole to Rank Leisure for a total of

The premises contributed profits of 2690,000 before interest and tax for the 11 months

per cent to I£104m, while operating profits more than doubled to I£4.5m - the first increase in profits at Wedgwood in three years. Wedgwood's earthenware pottery subsidiary, Johnson Brothers, continued to perform badly, with sales reduced by stiff

The improved operating profits at Wedgwood reflected last year's restructuring and improved sales in the US and UK. Sales in Japan remained steady following price redoc-

tions, the company said. Sales of crystal rose 16 per cent to 1£44.9m and operating profits more than doubled to I£3.4m due to strong sales in. the US and Ireland. However, sales growth of Waterford'a mid-market Marquis range tapered off after two years of amounted to 0.6p (0.02p).

Mr O'Reilly hinted strongly at a resumed dividend payment at Waterford Wedgwood's annual meeting earlier this year. On the basis of these interims, a nominal but welcome dividend of about 0.5p looks on the cards. The reduc-tion in debt to £58m puts gearing at 48 per cent. The company is not fully out of the woods, however, as shown by the £1.8m restructuring charge,

and analysis are expected to leave their forecasts unchanged at this stage. Most are opting for full-year pre-tax profits of between I£22m and 1923m, equivalent to earnings of just under 3p - a prospec-tive p/s of 23.5, reflecting

## **United Carriers falls** to £1.2m at midway

By Caroline Southey

Poor trading conditions pushed down interim pre-tax profits at United Carriers, the parcel and freight company which was floated in February.

In the half year to July 2 pre-tax profits fell from £1.6m to £1.2m on turnover up from £52.7m to £59m.

Operating profits, which included a £364,000 loss on discontinued operations last time, were down from £1.98m to

5.Sp to 3p, adjusted to reflect the scrip issue in February. Mr Allan Binks, chairman, said that as foreshadowed in the profits warning in May, the company's UK parcels and freight network suffered a

Earnings per share fell from

sharp drop in volumes. The division had secured new customers, he said, but any benefits from the addi-tional business would not be felt until next year.

**DIVIDENDS ANNOUNCED** 

Although volumes had improved in May, Mr Binks said there was "no reason to change earlier expectations that volumes would remain flat during the second half of

the year". Operating profits in the specialist transport and distribution division were also lower, although there were signs of a steady improvement in the UK and Continental car markets. Margins in this division

would be improved in the sec-ond half by the acquisition of 100 large trailers which would reduce spot hiring, Mr Binks The company has net assets assets of £29.1m (£24.7m) and

gearing of 17 per cent. United Carriers shares closed

unchanged at 103p yesterday.
On the day of the profits warning in May, the shares fell by 33p to 115p. The flotation price was 153p, which produced a market capitalisation of 551 8m.

## US giant takes small house

American giant gobbles up English miniature and, contrary to mythic expectation, everyone says they are all going to live happily together

ever after.
This was the tale being told yesterday as Stanhome, a US marketer and distributor of consumer products, giftware and collectibles, added another collectible line to its collection.
It made a recommended cash

offer of 160p a share for Lilli-put, the Cumbria-based maker of hand-painted mintature china cottages, casting a ray of sunshine on to a niche in the small housing market.

The bid values Lilliput, which floated less than a year ago in October, at £37.2m. At the floation price of 135p it was valued at £31.4m.

Yesterday morning the shares opened at 92p. As a result Mr John Russell, Lilliput chairman and chief executive, said that he would have done the deal no differently in an ideal world.

He felt he had fulfilled his obligations to shareholders future of the company and its Mr Russell, who had 600,000

shares, is set to make £1m gross, while Mr DG Tate, the group's founder who had some 3.8m shares, will gain about tial amounts at the time of the

At the time of the morning's announcement, Stanhome had received acceptances in respect of 10.3m shares, or 44.4 per wives, North of England Ventures and Lazard Ventures. By 4.30pm Stanhome spoke for 57.9 per cent, having bought a further 13.5 per cent

Stanhome has three divisions: Lilliput will fall within Enesco Worldwide Giftware, which in 1993 contributed 49 per cent of the \$751m (£485m) group sales. Enesco designs and markets giftware, licensed lines and collectibles and sells them through some 50,000 retail outlets mostly in the

chief executive, said most of its collectibles, in particular its Precious Moments line, were made in China. Lilliput's prod-

Nov 93

There would be synergies in US distribution - cottages are "hot" in the US, according to Mr Seawright - and Stanhome wanted a "neat, tidy" company as a foothold in Europe, a market it wanted to expand into. He said that collectibles was a growing market, especially in the US and particularly for

Oct 28 Oct 27 Nov 18 Oct 27 Oct 8 Dec 1 Oct 14 2.667 2.15 0.3 3.4 1.65 0.75 0.8 2 3.95 2 7.5 1.65 1.75 1.75

MONTHLY AVERAGES OF STOCK INDICES										
· .	August	July	Jane	M						
FT-SE Actuaries Indices										
100 Index	3178.5	3036.6	2980.3	3089.						
Mid 250	3736.8	3537.1	3508.8	3705.						
350 Share	1604.5	1529.6	1505.0	1566						
Non-Financial	1726.77	1642.28	1618.42	1690.4						
Pinancial Group	2197.58	2129.92	2111.15	2164.14						
All-Share	1591,47	1517.70	1497.44	1559.2						
Eurotrack 100			140117							
	1379.19	1347,82	1363.71	1447.6						
Eurotrack 200	1430.90	1385.41	1380.09	1462.0						
FT-A World Index	178.75	183.94	173.49	172.44						
FT indices										
Government Securities	91.86	92.87	92.08	94.20						
Foxed interest	110.02	110.84	109.28	112.72						
Ordinary	2485.9	2370.7		2455.0						
Gold Mines	1963.17	1931.55	2343.3	1881.95						
SEAQ Bargains(5.00pm)	29,402	23,977	1944,97							
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As losses 1£0.33m

profit margins two years ear

lier than most analysts expec-

ted. But it has an Achilles' heel

cashflow. The burden of

asbestos compensation and ris-

ing capital expenditure threat-

ens to overshadow the group's

performance in outstripping

profits forecasts by 20 per cent.

The enhanced scrip - designed

to save cash - looks attractive

at first glance hut risks dilut-ing future earnings per share,

as does the prospect of funding

further acquisitions through

paper. Although full-year

pre-tax profits are expected to reach £115m, the shares

look somewhat full on a

forward multiple of 17.1, despite the strong growth

The first-half compensation payments were paid from balance sheet provisions,

which fell from £38.4m at the year end to

£34.9m at the half-way stage.

Mr Hope predicted those provisions

would decline gradually and could be wiped out altogether within 10 years.

The beneficial effect on gearing will be

significant and it will help our future results enormously," he said.

#### **COMPANY NEWS: UK AND IRELAND**

## ut share Williams shares aided by upbeat statement

Williams Holdings' shares yesterday recovered from their recent weakness and jumped 3 per cent to 384p as the fire proction, security and building products group offered the market an upbeat assessment

on trading.

Mr Nigel Rudd, chairman, said Europe was showing bet-ter-than-expacted growth, while "economic indicators for the second half in the UK and North America continue to be favourable'

However, he warned that the pace and duration of any economic recovery remained uncertain

The market welcomed Mr Rudd's statements as encour-aging, but still more cautious than thosa being mada by other industrial conglomerates.

They are at pains to make sure people do not get carried away," said one analyst.

Mr Rudd's comments came as the group amounced a 13 per cent increase in pre-tax profits to £86.2m for the six months to June 30. The outcome, after reorganisation costs of £4m, were largely in line with expectations. Sales were 10 per cent ahead to

Mr Rudd emphasised the group's organic growth, progress on margins, and improving cashflow. Profits from continuing businesses rose by 18 per cent to £98.7m, on sales 18 per cent ahead to £699m.

**Production** 

**Brit-Borneo** 

rise helps

By Robert Corzine

A edgwood

# COMMENT

if smilling

Cashflow - for which Williams has often been criticised - was held at similar levels to last year, before dividends, disposals and acquisitions. Given the 40 per cent increase in cap-ital expenditure and higher tax, the underlying cashflow position was better, Mr Rudd said, and was expected to

improve further in the second half. Williams has bought three businesses since the year-end for £110m. Provisions for restructuring the largest acquisition, Solvay, would come to just over £5m, leaving Williams with total charges this year estimated at more than £9m.

Mr Rudd said the group hoped to use the proceeds of the 2267m rights issue in May to complete further purchases particularly in fire protection and building products - before the end of the year. Profits at the security divi-

sion advanced 31 per cent to £16.5m, thanks to the Corbin Russwin acquisition. Fire protection increased profits by 21 per cent to £25.7m. North American building products returned a 17 per

cent profits advance to £19.6m.

while the European business increased profits by 10 per cent to £34.9m. Tha interim dividend is increased to 5.25p (5p), payable from basic earnings per share up 8 per cent to 9p.

Excluding exceptionals, earnings rose by 12 per cent to 9.6p.



Nigel Rudd: pace of economic recovery remains uncertain

The shares jumped today, less on the back of Mr Rudd's guarded optimism than on the relief that Williams appears to be holding its margins in spite of higher raw material prices. There is also the feeling that Williams may have finally laid to rest cash flow doubts. Forecasts are for £200m in profits this year, with the shares on a prospective p/e of about 18. Although Williams offers solid long-term potential, the shares appear to be fairly priced right

meeting yesterday, Mr Dowling warned that the US leather-

goods business was suffering from lower demand and the

planned cutbacks under the

Sales were at lower levels

than last year, he said. Harts-

tone was confident trading

would pick up in the second

The Spanish hosiery husi-

ness, which may be sold at

some stage in the future, was

restructuring.

half, however.

### Newspapers advances to I£15.2m

By John McManus in Dublin

Independent Newspapers, the Irish newspaper group con-trolled by Mr Tony O'Reilly, reported a rise in pre-tax profits from IE14.6m to IE15.2m (£14.1m) for the half year to

The increase reflected better margins in Irish publishing operations, improved trading conditions overseas and firsttime contributions from acquisitions in the UK and South Africa.

Independent's operations accounted for IE64.5m (IE63.3m) of turnover of Itas.sm (Ital.sm), and con tributed IE10.6m (IE9.4m) to operating profits of IE15.8m (IE11.7m). Margins were enhanced by rationalisation and increased advertising revenue, according to Mr Liam

Independent's core Irish pub-lishing operation makes it a good play on the recovery prospects of the Irish economy. With improving advertising revenues feeding through, full-year profit forecasts of about 1232m seem a little on the low side. Recent circulation figures show that Independent'e titles dominate the Irish daily, evening and Sun-day markets. In the second half the group will make almost half its operating profits outside Ireland, marking its transition into an international media group. The prospective p/e is nearly 16 based on yesterday's closing price of 305p. With the growth pros-

pects, especially in South

## Hartstone directors lift collective stake

A 31 per cent rise in production helped British-Borneo, the oil and gas exploration company, offset lower oil prices and boost net profits for the six months to the end of rescue rights issue.

June to £4.36m, a 49 per cent Increasa on the previous Earnings per share were 9.7p, also up 49 per cent. 595,000 shares. The value of oil and gas

sales rose 34 per cent to £17.5m (£13.1m), although the 2-for-1 rights at 15p and bought average oil price for the period shares in the market at 15p

and 14%p. fell from £12.20 to £9.84 a har-The company was helped by its strong position in natural gas, especially in the US, where prices firmed during the first half. Gas accounts for 80 per cent of British-Borneo's

By Peggy Hollinger

Four Hartstone directors have increased their collective stake in the hosiery and leathergoods group by more than seven times following the £30m.

Tha company announced yesterday that the four direc-tors, including Mr Shaun Dowling, chairman, had increased their holding from 71,123 to

The directors both took up their entitlements through the

The largest shareholder on the board is Mr Dowling, who now holds 500,000 shares, compared with 50,000 before the cash call. He took up 100,000 new shares in the rights, and purchased a further 350,000 at 15p in his role as sub-under-

The other directors who increased their stakes are Mr John Hunter, chief executive, with 40,000 shares (10,000), Mr Stephen Oakley, finance director, with 30,000 (6,000) and Mr John Padovan with 25,000

(5,133).At Hartstone's annual

#### performing satisfactorily, he Africa, the shares still look reasonable value. Airsprung £9m expansion

Shares of Airsprung Furniture jumped 18p to 255p after the Wiltshire-based group accompanied a sizeabla acquisition with a cautiously optimistic statement on current trading. Airsprung is paying up to £9m cash for Intasco and Men-

saco, both suppliers of compo-nents and finished products to furniture markets. Initial consideration is £7.16m with the balance on a performance-related basis. The eventual total will be met from existing resources and facilities.

Intasco reported pre-tax profits of £567,000 on sales of £3.66m; Mensaco made £703,000 pre-tax on turnover of £4.92m. Trading between the two companies, which were under common ownership, amounted to

Airsprung's trading since its March year-end had remained difficult, Mr John Pierce, chief executive, said, but the first quarter had shown a "satisfactory" increase in sales and

#### **NEWS DIGEST**

#### Hartons cuts losses to £0.33m

production revenues.

Mr Alan Gaynor, chief exec-

utive, said the company was

encouraged by its acquisition

earlier this year of a 50 per cent stake in an onshore field

in Cuba, its first big interna-

tional diversification away

from UK and US markets.

dend of 2.667p is declared.

Hartons Group, the distributor of semi-finished plaetics, reduced pre-tax losses from £1.88m to £325,000 for the six

months to June 30.

Turnover dropped 22 per cent from £33.1m to £25.7m, largely because of the disposal of a French subsidiary in March. Turnover for continuing operations rose slightly from £23.5m to £24m. Losses per share worked through at 0.7p (2.8p) and no dividend is declared.

#### Silvermines

Following the acquisition in March of Molynx, the closedcircuit television company, Silvermines, the Duhlin-based electrical services and property group, trebled pre-tax profits from 1£251,000 to 1£761,000 (£750,000) in the six months to June 30.

Turnover jumped from It12.3m to It20.2m. Earnings emerged at 1.23p (0.5p) and a 0.25p dividend is declared.

\*significant improvement" in the second half enabled Linx Printing Technologies to report a pre-tax profit of £332,000 for the year to June 30.

SmithKilne Beecham PLC Floating Rate Unsecured Loan Stock 1990/2010 Interest Rate 5.3125% per annum

Interest Period 1 September 1994 to 1 December 1994 Midland Bank pic

The outcome amounted to less than a quarter of the £1.43m achieved last time, but reflected "an encouraging second six months of trading" following the deficit of £391,000 incurred in the first half, directors said.

Turnover of the group, which manufactures continnous ink-jet printers, fell 9 per cent to £10.9m (£11.9m).

Earnings emerged at 1.7p (7.1p) and a recommended final dividend of 0.75p (1.73p) makes a total of 1p (2.08p) for the

**Ennex International** 

Ennex International, the Dublin-based mineral exploration company which is quoted on the USM, announced a profit of \$85,000 (£55,000) in the first half of 1994 against a loss of \$82,000. Exploretion expenditure

amounted to \$374,000, of which \$230,000 was contributed by joint venture partners. Working capital at June 30 was \$3.4m, including cash of \$3.6m. Earnings were 10 cents (losses 10 cents) per share.

**English & Overseas** English & Overseas Properties is to pay its first interim dividend since 1991, after lifting pre-tax profits from £12,000 to £353,000 for the six months to

the end of June. The company, which saw turnover rise from 21.7m to 14.2 per cent holding of RA Col-£1.84m, said the increase in profits came from two main

areas: increased rental income both from properties developed by the group and from properties bought last year, and the sale of an investment property

in Gateshead. Investment properties are now valued at £26.8m in the balance sheet, compared with £1.43m at end-June 1993. Earnings per share worked through at 0.55p (0.05p); the interim dividend is 0.3p.

#### **United Industries**

United Industries, the precision tools and springs maker, has sold its Scandura Railko offshoot - just five months after its acquisition as part of a package from BBA Group. The lossmaking business, which makes heat shields and gasket materials, is being sold

to Hofland (UK), a subsidiary of DNI Holding of the Nether lands, for £605,000. United will retain debtors and creditors, estimated to be worth £200,000.

#### CRP Leisure

CRP Leisure plans to raise £900,000 through a placing and open offer to repay debt and fund acquisitions.

The USM-quoted company, whose only active eubsidiary makes theatre scenery, is issuing 20m shares at 5p with a 5-for-4 clawback. The shares yesterday closed down 1p at 6p. Shareholders, including the man (North Wales), intend to take up their entitlements to a

total of 5.84m shares. A further 4.23m shares have been conditionally placed with Colman, which could lesve it with a holding of 25.7 per cent.

#### Tate & Lyle

Tate & Lyle has acquired PL Transtore from Acatos & Hutcheson for £1.9m cash. PL, which provides specialist storage and transport services to Acatos and third parties,

#### will form part of Tate's United Molasses division.

Allen Shares in Allen, the Greater Manchester-based construction group, rose 11p to 176p yesterday following its announcement of a good start to the

Over the summer it had obtained contracts valued et £21.3m, turnover at its Speedy Hire Centres was 40 per cent ahove the same period last year and housing reservations were up 13.5 per cent.

#### Fyffes

Fyffes, the Irish fresh fruit importing and distribution group, has acquired a 33 per cent stake in Sofiprim, a French fresh produce com-

The group is understood to have paid between 125m and IESm (£5.94m) for the stake, its fifth purchase in mainland Europe in a 12 month 1945m spending spree.

#### **NEWS IN BRIEF**

MANGANESE BRONZE Holdings is selling LTI Homer, its fuel tanks offshoot to Wilmid for an undisclosed sum, resulting in an exceptional loss which will be provided for in the accounts for the year to

in the Etrop Grange Country House Hotel, Greater Manchester, for about £1m cash. RIVER & MERCANTILE Trust has sold 49.9 per cent of River & Mercantile Investment Management to Beckwith Asset Management for £4.3m cash.

REGAL HOTEL Group has SCI is selling Cambridge indus-acquired a 50 per cent interest tries, a supplier of consumer

satellite equipment, to its management in a deal valued at up to £17m.

TEMPLETON EMERGING Markets Investment Trust will convert its C shares into ordinary shares and new warrants on September 9. The record date for conversion will be Sep-

Independent | Engineering group confirms interest in German vehicle parts maker

## Strong demand lifts T&N to £61m

Mr Colin Hope, chairman and chief executive, said the sevenfold increase

reflected the group's determination to set-

tle as many outstanding cases as possible

before a new compensation framework

came into force in North America. Under

the framework, claimants should avoid

lengthy legal action by receiving fixed

cent at £985m (£774m) in the

Although operating profits rose to £76.3m (£54.2m), the

improvement was dented by

increased asbestos-related

costs of £13.9m (£9.8m) as the

group topped np its liability

provisions against future legal

costs and compensation claims.

Asbestos pay-outs and the second instalment on its £100m

acquisition of Goetze, the Ger-

man piston ring producer, con-

tributed to negative operating cash flow of £6.9m, compared

In a bid to strengthen its bal-

ance sheet and reduce borrow-

ued improvement in the Shope

check home collected credit

business reflected a slow

return of confidence among the

group's 260,000 households. Cattle's has an estimated 20

per cent of the weekly col-

ected credit market.

of 2.15p (1.9p) is declared.

he said.

with a £33.3m surplus.

six months to June 30.

£61m, on turnover ahead 27 per (10.85p). If all shareholders and achieved double-digit

opted for the scrip - involving

new ordinary shares to a value

of 11.25p for each share held -

T&N would retain cash of

£46m: a saving of £37m on the

dividend pay-out and £9m of

advance corporation tax. It

also promised a final cash divi-

dend of not less than 3.35p if

Mr Hope said savings from

the scrip would help reduce the group's ACT problem,

caused by having to use unre-

lieved UK profits to cover

Earnings per share, meanwhile, rose from 7.7p to 4.8p.

T&N has successfully exploited the upturn in vehicle demand

asbestos liabilities in the US.

the scrip is taken up.

By Tim Burt

T&N, tha engineering and motor components group, yes-terday confirmed it was considering a hid for Kolbenschmidt, the German vehicle parts manufacturer. Mr Colin Hope, chairman and chief executive, said T&N had held talks with Metallgesellschaft, which holds 47 per cent of Kolbenschmidt. but failed to agree a price.

Announcing a sharp increase in irst-half profits, Mr Hope we sed that a deal could be hampered by possible cartel problems in Germany, where the enlarged group would control up to 40 per cent of the ings, the group announced an enhanced scrip alternative to its interim dividend of 7.5p piston products market.

make record compensation payments in

the first half of this year, writes Tim

The company, which as Turner & New-

all was formerly Britain's largest supplier

of asbestos, paid claimants a total of

£22.1m in the six months to June 30, com

pared with just 23m last time.

A good performance from its

consumer credit business

helped Cattle's (Holdings) lift interim pre-tex profits, before

exceptional items, by 22 per

cent to £8.45m, against £6.9m.

£1.78m charge against the clo-sure of its lossmaking Swinton

insurance franchise operation,

the outcome showed a slight

Consumer credit turnover

rose 11 per cent and contrib-

uted £86.1m (£77.8m) to a total

of £104.2m (£98.7m), an

director, said that the contin-

Mr Edward Cran, managing

increase of 6 per cent.

decline to £6.89m.

However, after taking a

By Christopher Price

pre-tax profits from £39.4m to Compensation provision 'clear in 10 years' A sparp increase in aspestos-linked personal injury claims has forced T&N to

Healy, chief executive.

Independent has a 29.9 per cent stake in Newspaper Publishing, owner of the UK titles. Tha Independent and The Independent on Sunday. Bought for I223.3m last February, the stake is treated as an investment and was the main cause of a rise in net interest coste from IE751,000 to

Rarnings per share were 9.28p (11.93p) and the interim dividend goes up from an adjusted 2.67p to 3p.

The strong performance of

#### Cattle's restricted by Quarto static despite £1.76m closure costs lacklustre book market

Mr Cran added that the clo-sure of its Swinton operations was likely to be followed by the run-down of its other noncore activities, such as a small

have positioned ourselves firmly in financial services and plan to continue this process," Earnings per share slid to 3.7p (4.8p). An interim dividend

man, said sales had heen affected by a shortfall in the UK publishing business but, based on current order books,

he expected an improvement in

Quarto Group, the USM-traded publishing and printing services company, saw sales advance 17 per cent at the interim stage despite a weak UK book market.

Pre-tax profits in the six months to June 30 rose from £1.63m to £1.67m on turnover ahead to £22.7m

Operating profits improved to £1.91m (£1.86m). travel agency business. "We Mr Laurence Orbach, chaircore publishing activities in

the second half. The effect of destocking by leading UK book retailers "had been profound" in the first six months but he believed this

was temporary. Turnover in the US, which accounts for 53 per cent of total sales, had heen strong, boosted by a first time contribution from Front Line Art Publishing, a California-base publisher of art prints and

posters, acquired in May. Earnings per share fell from 6.4p to 4.8p, reflecting extra shares in issue following the £9.5m rights issue in September. An unchanged interim dividend of 2p is declared.

## ROLLS-ROYCE HALF YEAR RESULTS 1994

Profit before tax £40m (1993: £31m).

Operating margins improved from 8.9% to 9.9%.

Maintained interim dividend of 2.00p.

Net cash £309m. Order book £5 9hn

\*includes £307m rights issue proceeds

Group Profit	and Loss Ac	count	
	Half year to 30 June 1994 Unsudited £m	Half year to 30 June 1993 Unaudited £m	Year to 31 December 1993 Audited £m
Turnover	1,500	1,752	3,518
Profit before taxation	40	31	76
Taxation (including overseas tax and ACT	(9)	(10)	(18)
Attributable to minority interests	-	1	5
Profit attributable to shareholders	31	22	63
Dividends	(25)	(19)	(56)
Transferred to reserves	6	3	7
Earnings per ordinary share	2.53p	2.21p	5.95p
Group Balance	Sheet & Cas	h Flow	
Net cash balances/(borrowings)	309	(132)	473
Cash (outflow)/inflow	(164)	(216)	389*
Equity shareholders' funds	1,229	906	1,225

"The profit increase has been delivered in the face of lower sales in both our aerospace and industrial power operations, and reflects our restructuring programme, which is proceeding ahead of plan.

"Conditions remain extremely challenging in all our markets, but our greater productivity coupled with the completion of the major part of the Trent engine development programme will enable us steadily to improve our performance.

"Although market conditions are unlikely to improve before 1996, we are in e good position to exploit the long term growth potential of both aerospace and industrial power from an increasingly competitive cost base."

Sir Ralph Robins, Chairman



Rolls-Royce plc, 65 Buckingham Gate, London SW1E 6AT. peractive figures for the year to Mat December, 1993 have been abridged from the Group's accounts for that year, which have been delivered by the r of Companies. The suddiers have rejected on those accounts their report was unqualified and did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

ooner or later a woman is going to become the chairman of an FT-SE 100 company. It may have escaped the notice of some men out there but the race is on. The question many businesswomen are asking is who is

going to be first. Suppose it is within the next 10 years; in fact let's be more adventurous and look at the possibility before the turn of the century. Who might it be? Where will the candi-

dates come from? Gill Carrick, a partner at Goddard Kay Rogers & Associates, the executive search firm, sides with those who expect a woman to break through before the Millennium.

She said: "I think it could well happen within the next five years but I don't think it would nece ily cause a surge. I think we shall have one and then a shocked silence as people assimilate it before we gradually get a few

The latest edition of Crawford's Dictionary of City Connactions noted that the number of women chief executives of listed UK companies had fallen from 12 in 1993 to nine this year. The only women chairmen of sizeable companies were Aleksandra Clayton of Alexanders Holdings, the car dealer, and Anna Vinton, joint chairman of the

The big league of the FT-SE 100, European Women of Achievement however, still awaits its first Award sponsored by the European

JOBS: The City is still waiting for the first female to chair a top 100 company

## Women set for power in the big league

woman chair. Here is a very subjective form guide gleaned from a trawl of colleagues, headhunters and a few industrialists. Could it be any of the following 11? They are listed in no particular order of pref-

 Rosalind Gilmore, chairman of the Building Societies Commission. At 56, with a civil service backround, part of which was spent at the Treasury, she certainly has gravitas, and the robust way she handled the Cheltenham and Gloucester's proposal to sell out to Lloyds Bank proves she also has the metal to take on a top job when she

leaves near the end of the year.

At present she is the prospective chairman of the Arrow FM consortium bidding for the London FM radio franchise but she is also well placed to take on a bigger chair-manship if one becomes available. Kathleen O'Donovan, at the BTR industrial conglomerate must be a strong contender. She the first woman finance director in an FT-SE 100 company at the age of 34, and that move, in 1991, won her the

Union of Women. She recently took up a non-executive directorship at non-executive director of W H Courtaulds Textiles. She is among Ardagh, a Dublin-based glass

maker.

● Rosemary Thorne finance directory

Avert from coltor of J Sainsbury. Apart from col-lecting more than 20 O-levels she has the sort of industrial street cred still valued by male-dominated boardrooms. Her business teeth tant with BOC, the industrial gases company, before moving into retail-

Her experience, particularly with Habitat-Mothercare and Harrods, gives her a strong platform for a big nship if and when Baroness Detta O'Cathain, the former managing director of the Milk Marketing Board and current

managing director of the Barbican Centre, still has a series of non-executive directorships. A few years ago she would probably have been the favourite because she occupied a very narrow field. This tended to leave her somewhat overexposed at a time when the names of women executives were difficult to recall. Marjorie Scardino, chief execuSmith, is a US-lawyer turned media executive. Her success in increasing the newspaper's sales in the US made her an automatic choice for The Economist job.

 Bridget Macaskill, former marketing manager at Unigate, now president and chief operating officer of Oppenheimer Management (the seventh-largest marketer of mutual funds in the US, controlling \$20hn) and a non-executive director of Hillsdown Holdings

• June de Moller. When she took over as managing director of Cariton Communications just more than a year ago she became the first woman to the chief executive's job at an FT-SE 100 company. In an expanding industry she has to be well placed to take on a chair although she will probably have to wait a while if she is hoping to succeed Michael Green as chairman. Her non-executive directorships include Anglian Water and Riverside Medical Health Trust. • Pippa Wicks is far too young to be considered in the short term but she has great potential. Wicks is the

Courtaulds Textiles. She is among those MBA-qualified finance directors who are prized as much for their general boardroom skills as they are for their ability to run the finance function. Recruited by Mar-tin Taylor, the then chief executive, before he moved to Barclays Bank, she is likely to emerge as a strong contender in a few years' time.

• Helen Schneider Lenne on the main board of Deutsche Bank and a non-executive director of ICL Schneider Lenne is one of the new breed of Euro-directors bouncing into the large British boardrooms Rachael Lomax, 48, head of the economic secretariat in the Cabinet Office, was formerly head of financial institutions and markets in the Treasury and a one-time principal private secretary to Nigel Lawson, the former chancellor. For some time she has been regarded as one of the Treasury high-flyers and ranks among those civil service women who have been able to thrive, partly because of its greater

concern in recent years to provide equality of opportunity. Wenche Marshall Foster: chair-

(UK). If you can sell bubbly water in green bottles to the conservative

British anything is possible. Other women in high earning City jobs such as Carol Galley, director in charge of pension funds at Mercury Asset Management, and some of the leading headhunters, tend to rule themselves out because of their existing work. Because of the conflict of interest, Galley is not going to take on a non-executive role so she is probably among the A best of the rest list might

dude Kamlesh Bahl, chairman of

the Equal Opportunities Commission, Frances Heaton, a director of Lezard Brothers merchant bank and former director general of the take-over panel, and Megan Richardson, director of planning at Barclays. Elizabeth Symons, general secre-tary of the Association of First Division Civil Servants, is daily handling some of the most powerful mandarins in the country. Yve Nawbold, company secretary at Hanson, should probably be among the dozen top contenders. The only reason she isn't is that company

secretaries rarely make the top tob. It is no coincidence that many of those I have listed above are finance directors or have backgrounds in finance.

Mary Baker, president of Women in Management (a professional management association for women in the UK), who could easily claim a place on the list herself with nonexecutive directorships at four quoted companies, believes that the Cadbury recommendations for the chairman and chief executive function to be split has increased flexibility for a potential female appoint-mant, possibly from outside a particular company. "Women are very good at being number one which is why so many leave the corporate structure and set up their

own business," she said.
Who could we list as non-starters? Lady Thatcher comes to mind. It would be rather akin to the Rolling Stones playing at the London Palad ium. They could do it with ease but the orchestra would walk out.

The 11 suggestions are only for that coveted large company chairman's role. Some would be too young if you believe that a woman is some to the control of th is going to get there in the short term. But they have been a long time waiting and may have to wait some more. If I were a betting type I might have a flutter on Gilmore.

Richard Donkin

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significant post qualification experience in the corporate finance spartment of a major firm of accountants, or comparable

ation. They will have a strong academic and professional

cord as well as one to two years' appropriate experience. Newly/recently qualified ACAs
Successful candidates will be enthusiastic, committed newly ualified ACAs with a strong academic and professional track ecord. Although an aptitude for thinking commercially is essential.

vious corporate finance experience is not necessary.

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Michael Page Finance

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#### **European Communications Executive**

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If you are interested in this opportunity, please contact Elisabeth M.M. Huigen or Ludo G.M.M. Houben on the number (0031) 20-6444655, or alternatively send your curriculum vitae to the following address: Robert Walters Associates, 'Rivierstaete', Amsteldijk 166, 1079 LH Amsterdam. The Netherlands.

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Closing date for receipt of completed applications is 23 September 1994. Please apply, enclosing a detailed curriculum vitae, to Mrs M McKell, Ref AH369/MMcK/FT, Abercrombie House, Eaglesham Road, East Kilbride,

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ropean Dredging Association (EnDA) is the representative European organisation for the individual dredging companies and the national representative organisations. The offices are located to Brossels, Belgium.

EnDA was founded in December 1993 as a non-profit Association in accordance with the Belgium law with the general objective of studying and solving all problems related to the European dredging industry including international co-operation and representation, in the widest possible sense and in particular within the international co-operation and representation.

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The IOB is an International financial Institution dedicated to promoting economic and social development in Latin America and the Caribbean. Position offers excellent salary and benefits package, including relocation costs. Resumes should be received by September 12th. Send to: HUR-RO-SWFT IDB Stop E0507 1300 New York Avenue NW, Washington, DC 20577; or FAX (202) 623-3096. The Bank regrets that it is able to respond only to applicants who best meet position requirements.

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## Little has changed in a quarter of a century

Andrew Jack looks at the first edition of Accountancy Age and sees a continuity of issues over 25 years

Twenty five years ago, Neil Armstrong took his first steps on the moon, Concorde made its inaugural flight, parliament abolished the death penalty and the London School of Economics was closed by student pro-

Predictably enough, things were rather more static in the conservative world of British accountancy. But not everything stood still. On Friday December 5, 1969, a new weekly spe-cialist journal came into existence which continues to thrive: Accoun-

tancy Age.
The senior editor was Robert Willott, now in charge of Willott King-ston Smith, a specialist London-based accountancy firm. The advertisement manager was Maurice Saatchi, who later decided to go it alone. The publisher was Michael Heseltine's Haymarket group.

Some 62,750 copies were distributed free to all qualified accountants, including members of the Institute of Cost and Works Accountants (now Chartered institute of Management Accountants) and the Association of Certified and Corporate Accountants (now the Chartered Association of Certified Accountants). Others could pay two shillings for the privilege of hearing an independent voice for the

Flicking through the 32 pages of the first issue, the format looks strangely familiar to readers of the Age today. There are differences, of course. In common with many newspapers at the time, there were no by-lines on the stories to indicate who had writ-

One article makes references to the

Institute of Chartered Accountants in England and Wales: advertising or soliciting for new business by accountancy firms is prohibited. Members could give their names and call themsalves "chartered accountants" if quoted on television or in print, but they were forbidden from mentioning

the name of their firms. Salaries also reflected the era. The advertisement section tantalises with some jobs paying as much as £5,000, and remuneration for an equity partner designate in an accountancy firm of £3,000.

There is a piece about the Canola 1200 electronic desk calculator, "probably the cheapest of its kind available in this country" at £325, which is able to multiply and divide numbers. Its dimensions were 10.5 inches by 18

On the same page, the Decimal Training Company is selling plastic replicas for training purposes of Britain's new decimal coins, scheduled to be introduced in February 1971. "Experience has shown that even when checking-out cashiers have been trained it is realistic to expect thet checking out will take longer," it

One of the most happy and visible changes since that early era is the disappearance of an enormous number of sexist advertisements, with skimpily-clad women draped around the most mundane products on the

Even the editorial judgments were affected. Page two of the first issue includes a large photograph of Gail Renshaw, Miss USA, and runner up in

tight restrictions imposed by the the Miss World contest. The justification for her appearance was that she was studying for her CPA qualification with a firm in Lexington, Geor-

> But perhaps the biggest surprise to porary reader of the original edition of Accountancy Age is how little the issues of the day have changed in the last quarter of a cen-

The most prominent front page story deals with "staff shortages and legislative complications" at the Inland Revenue threatening a "tax crisis". The board of the Revenue had. called for a three-year standstill on all new tax legislation, while the accountancy profession was demanding in its "annual plea" simplification and removal of anomalies and "hastily

conceived" proposals.

Mr N C Price, deputy chairman of the board, complains that "we do say in the most forcible terms that we do not want anything new until we have had time to digest what we were given in 1965." Mesmwhile, the Confederation of British Industry was criticising tax changes "for not having been thought out sufficiently well

The Revenue also seemed concerned that youth clearly had its mind more on Boby Dylan and drugs than on matters fiscal, since it bemoaned the difficulties in retaining staff and the need to remove both the "material and psychological barriers"

to the recruitment of graduates. The tension of the "dual role" of accountants also featured prominently: an article highlighted the claimed conflict of interest when audi-

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tors also act as consultants, accountable in the first role to shareholders

and in the latter role to the board. One anonymous consultant complained to the Age that the role of the accountant as the statutory auditor should be made more "constructive", and that management information services provided by the firms should be restricted to these areas.

The story was triggered by apparent concerns from management consul-tants under threat because the Institute had lifted its ban on marketing for the consulting arms of the firms -a move welcomed in one of the Age's first editorials.

A second editorial supports calls from Lord Shawcross, then chairman of the City Takeover Panel, for the accountancy profession to clarify current practices. His concern was the inconsistencies in financial reporting, and the fact that the existing limited guidelines issued were not manda-

Ironically, the first profile of a "leading figure" was Sir Joseph Lat-ham, who had quit AEI after its take-over by GEC at the end of a hotly ted battle. Disputes about the profit forecasts made by AEI - to which Shawcross was in part referring - became the starting point for the creation of the Accounting Standards Committee, forerunner of the Accounting Standards Board.

"I could sit down with auditors in most big companies, produce two widely different forecasts and convince the auditors of the validity of each," Sir Joseph says. He makes a plea for accountants to present "real-ity" not the figures as shown in "an

orthodox accounting statement". Mr Ronald Leach, yet to be knighted in 1969 but that year's president of the Institute of Chartered Accountants in England and Wales and senior partner of Peat Marwick Mitchell, was also quoted in an exten-

sive interview with the magazine. His most important concern? The ill-fated attempt to integrate the dif-ferent professional accountancy bodies. His view was that modernisation and consolidation was essential, and the chance to merge the bodies might never be possible again. He talked about the possibility and

complexities of the incorporation of accountancy firms, partly reflecting their desire to try to raise external capital to help fund their operations and also to protect them from unlim ited liability at a time of rising legal claims and escalating insurance costs

He discussed rotation of audit firms - on which he was open-minded -and the tensions of auditors getting too close to management - which he argued did not in his experience jeopardise independence.

Leach suggested there was likely to

be greater consolidation of the firms, a shift of clients towards large firms and single worldwide auditor, and predicted a move towards accoun-tancy becoming a graduate profes-

Some of his predictions have clearly held true. Yet overall, the message of the Age seems to be that little of substance has changed at all in its first 25 years of existence. When it celebrates its 50th anniversary, much of the profession might take some secret comfort from that.

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## Passed Finalists List

The names given below are successful candidates in CIMA's Stage 4 (final) examination taken in May 1994. In the United Kingdom the pass rate was 43.22%. The pass rate for home and overseas students combined was 33.86%. The locations given are those of the exam centre where the candidates sat.

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Y ADAMS, Reading; KS ADCOCK, Manchester; KJ ADNAMS,
Norvich; CSW AH-CHING, London Centrat;
AHDAR, Reading; KS ADCOCK, Manchester; KJ ADNAMS,
Norvich; CSW AH-CHING, London Centrat;
ANDAR, Waltord; ABRAD PILID BIN ABI BAKAR, London
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FI
DHA SHUK FUN, Hong Kong; DC HADLEY, Wadnesbury;
M HAFRUZ, London Cannet; SK HALES, Notinghen; SI HALL,
Middlesbrough; SA HALL, Paterbrough; R HALLE, Johannesbur
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SE HAMACOND, Wadnesbury; P HANCOCK, Stoke; PJ HAND,
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Lefonter; DR HARDING, Ductor; DJ HARDMAN, Marchester;
SA HARDIMAN, Edinburgh; AK HARDER, Derby;
SA HARDIMAN, Edinburgh; AK HARDER, Derby;
SA HARDIMAN, Edinburgh; JAHARSES, Lender; DS HARDIS,
Paterbrower; SE HARDIS, Condex; J HARDIS, Candyldox PARTICULAR STATE CONTROL OF THE STATE OF THE M HARPISON, Welesladt; SJ HARPISON, Southemptore M HARPICOP, Coveriey; LE HARPISON, Southemptore M HARPICOP, Coveriey; LE HART, London Centrel; KS HARVEY, London Centrel; KS HARVEY, London West; PH HARVICOD, Southemptors; JL HARPYOTT, Herefloor; P HASLAM, Blackburn; PP HALIGHEY, Sleachley; RP HAWSOSS, Slicie; LM HARPIGNS, PERINDER; CHIMPOWELL, Welseldet; PJ HAXTON, Kingston Upon Thuman; CSJ HAYDEN, Sligi; DWE HAYDOCK, Bellant; A HAYES, Normich; NW HAYSES, Normich; NW HAYES, Normich; NW HAYES, Normich; NW HAYES, Leleceler; A HAYTER, Romaldr; NW HAYSES, Normich; NW HAYES, Leleceler; A HAYTER, Romaldr; NW HAYES, Leleceler; A HAYTER, Connecting; DA HAYWOOD, Youk; NS HAZLEFURRST, Stoin; DPR HEALY, Dublin; TD HEANEY, Bristot; NJ HEARD, Northeaner; AE HEDGES, Northemptors; KHEGER, Hong Kong; THEREGHAN, Abricans; CGD HENDERY, Mesocaeller; CGC HENDERSON, Abundaen; GG HENDERY, Mesocaeller; AA HENNOOD, London Centrel; RGW HENDER; Millord; AM HERBESHAN, Abricans; CGD HENSTY, Mesocaeller; AA HENNOOD, London Centrel; RGW HENDER; Millord; Southemptor; RP HEYES, Prestor; JP HGCKEY, Blackburn; MHCKEY, Memchanist; JM HELL, Leade; JB HELL, Sheffeld; CA HELLER, Bedfarg; CG HEIL, Shefellurry; CH HELL, Landon West; J HELL, Newscastie; JM HELL, Leader; JB HELL, Sheffeld; CA HELLER, Bedfarg; CG HEIL, Shefellurry; CH HELL, Sheffeld; CA HELLER, Bedfarg; CG HEIL, Shefellurry; CH HELL, Landon West; J HELL, Cheder; JB HELL, Sheffeld; CA HELLER, Bedfarg; CG HENDER; AND HELLER; JG HELL, Sheffeld; CA HELLER; Cheder; JG HOOGE, Liverpoot; CE HOOGESON, Core Tower; EJ HOOGESON, York; Swindorr, CT HOUSE, Bridge; HHOUSE, Liverpoot, CEHODGETTS, Chellenherr, AJHOOSKORSON, Middlesbrough; PMAI HOUSEON, Capa Town; RJHOOSSON, Yang, AD HOUSESON, Swilliebt; JHHOOSSON, London Weet; PHOFF, London Cartent; DJHOUSESON, Ringester Upon Thermise, IGS HOLLAND, Dunder; SPHOLLAND, Derby, ARR HOUSES, Croydon; AS HOLMES, Wiger; CHOLMES, Leede; EHOLMES, Marximater; SPHOLMES, Carls, UKHOLZAPFE, Johnstohung; CHOMECHELMENTERMENT, VINE LINEARS, MARK STONES. Marshauter, SPHOLMES, Carls, LY, HOLZAFFEL, Johnstein HONG CHUAN KEONG, Kanta Luispur, HONG BOO NES, Lan Cardas, M. HOOK, London Soute, JB HOOKS, Paterborough; MP HOOTON, Landon West, JJ HOPE, Lande; SE HOPES, Messheeler, DK HOPBON, Taustor; JB HORGAN, Landon Central: GA HORSFIELD, Not Central; GA HORSPIELU, Notlinghers; AM HORTON, Orphigton; MR HORTON, Birminghers; AA HOSSEN, Mexitike; M HOULLHAN, London Weet; AA HOSSEN, Marafflur, M HOLLHAN, Lordon Weet;
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I KAIDI, Bizninghanz, AYKALOGRIOULIS, Croydor;
P KANAGARATINAN, Westlern; UR KANE, Hamilion;
P KANAGARATINAN, Westlern; UR KANE, Hamilion;
N KANNAN, Bahnin; SO KARINYAMICSAN, Barking;
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Lurque; LIM PSOW, Rusie Lurque; CIM SIEW LING, Kaele
Lurque; LIM SIEW TIN, Penerge LIM THAM YONG, Kuele
Lurque; LIM SIEW TIN, Penerge LIM THAM YONG, Kuele
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MC LISSON, Croydon; BSIN LISTER, London South;
GM LITTLE, London South; FI LLOYD, Cheltenheitz;
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GA LOYEL, Berling; LOW KOON MRN, Kuele Lurque;
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London West, JM MALUMIER; Southers; MAK ME! YOOK,
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Dubbin A MAMICKAY SAGLONEY, Dubbin; PJ MALTRY,
Dubbin A MAMICKAY SAGLONEY, Distriction. II MALTRY No MANICKAYSAGAR, Colomboy JL MANUEY,
Southerryton; CS MANN, Lelcenter, JS MANN, London South;
SA MANN, Shetheid; H MANSFELD, Shetheid; KE MANSON,
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Stoler, D MARSHAIL, Tower, ES MARSHAIL, Condition; D MARSH, York NM MARSH, Wadmabury, NW MARSH, Stolie; D MARSHALL, Dirby; FP MARSHALL, Croydon; LA MARSHALL, Stough; LX MARSHALL, Welliord; NRI MARSHALL, London Week; RJ MARSHALL, Elimingham; NRI MARSHALL, Elimingham; CJ MARTIN, Croydon; OP MARTIN, London Canina; F MARTIN, Croydon; OP MARTIN, Landon Canina; F MARTIN, Stough; JK MARTIN, Lalcontor; JJ. MARTIN, Prestor; LX MARTIN, Swindon; KR MASHETER, Prestor; JO MASSIEN, Marchester; D MASSWA, Darby; PR MASTIERS, Marchester; NJ MASWARJ, Gaborone; JCMATHARS, STATEMENT THE MAXWELL RESEARCH NO MAXWELL WE LI MAYNARD, Slough; C MBELLE, London Co AJ MCALEAVY, Well-field, NT MCALEER, Do MEL NT MCALEER, Dollar; Y MCSPEDE, Mindemirough; EM MCCARE, Dublin; MM MCCABE, Glasgory; C MCCARTHY, Dublin; D MCCARTHY, Belleut; JG MCCARTHY, Unsprick; PU MCCARTHY, Belleut; JG MCCARTHY, Unsprick; PU MCCARTHY, Mellorit; AR MCCLEARY, Dublin; M MCCLEARY, Stough; CO MCCCARSH, Seutherrybon; C MCCCARMACK, London West; S MCCULE, Belleut; PS MCCULLOUGH, Belleut; C MCGRARY, Dublin; M MCCLEARY, Stough; C MCGRARY, Dublin; M MCGCARTHY, Belleut; JC MCGRARY, Dublin; M MCGCARTH, Dublin; JC MCGRAY, Prestor; M MCGCARTH, Limertol; JC MCGRAYH, Prestor; JM MCGCARTH, Limertol; JL MCGRAYH, Prestor; JM MCGLINAR, Southersplon; DJ MCHALE, Leeds; SJ MCLINYEE, Mingelot Upon Themes; AN IGCRAY, JG MCCROWN, Prestor; JM MCGLINAR, Southersplon; DJ MCHALE, Leeds; SJ MCLINYEE, Mingelot Upon Themes; AN IGCARTAN, Glasgow; PM MCRAY, Johennesburg; JM MCGCARH, Peterborough; PA MCLINARY, Glasgow; JM MCLINARY, MINDEY, GLASGO, GLASGOW, JM MCCARTAN, Wattort; JM MCRAY, MANANIA, Arlione; SMCLICUSHLIN, Prestor; JM MCONARY, Arlione; SMCLICUSHLIN, Prestor; JM MCONARY, MARKET, Liverpoot; G MCCALAD, Belleut; D MCSHARY, Liverpoot; G MCCALAD, Glasgow; JM MCGARA, Wattort; JM MCHARA, Liverpoot; G MCCALAD, Glasgow; JM MCSHA, Cape Town; JM MCSHA, Cape Town; JM MCCALAD, Glasgow; JM MCSHA, Cape Town; JM MCHARANY, Arlione; SM MCGARA, Wattort; JM MCTALE, London Marty, SM MCCALAD, Glasgow; JM MCSHA, Liverpoot; G MCGRAY, Liverpoot; G MCGARA, MARKET, Liverpoot; G MCGRAY, Liverpoot; G MCGRAY, Market, JM MCGRAY, MCG MM MCCASE, Glangers; AT MCCANN, Glangers; C MCCARTHY, Dublin; D MCCARTHY, Bullent;

AV

S NAG CHOWDHERY, Lumics: GA NAPTHINE, Notificiphers
SL NASH, Stough; MM NASSUR, Outlet; A NATARALAN,
Debty; ME NAYLOR, Holt; SJ NEAL, Wednesbury;
G NEELAKANTAN, Shele; LA NEGRINGUR, Listen;
JD NETHERTON-SINCLAIR, York; PC NEWILLE, London We
SY NEWILLE-E-MEAVER, Residing G NeEWMAN, Cambridger;
PJ NEWMAN, Birminghen; MD NEWPORT, Birminghen;
ML NEWTON, Prestor; PF NEWTON, Northersptor;
TA NEWTON, Southersptor; NG YANG, Hong Kong;
NG YOK CHEONG, Landon Central; NG YUK LING, Hong
Konn; C NEALAT, Lumider; NGO YEE BIK Hong Kong; NG YCK CHEONS, London Cantralt, NG YUKLING, Hong Kong; C NGALATI, Lussick, NGO YEE BIK, Hong Kong; SI NGCO, London Esset, AW NFCHOLSON, Lundon Centralt, JC NGCHOLSON, Belfest; D NICKLEN, Newcaster; JC NGCHOSON, Lundon Week; PP NELSEN, Sicsgit; G NYEN, Newcaster; BT NOBES, State; D NOSE, Middlesbruight; SE NCBLE, Swindon; AM NCUAN, Sigor; IG NOLAN, Marchaetter, MJ NCUAN, Dubliet; H NCONAN, WaterSeldt; M NOONE, Athlone; TFIO NOFMAN, Laede; SW NORTON, Croydor; A NOVANOVIC, Bleminghem; PLA NUGENT, Hamade W MYARLEYS, Henryte I Smarket: W NYAKUUYA, Harard

PAM D ROUPKE, Befast, AN O'BRIEN, London North; CG O'BRIEN, Africae; CK O'BRIEN, London West, DM O'BRIEN, Cori; KT O'BRIEN, London Central;

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P
NH PAGE, Sicins; D PALMER, Wigen; TL PALMER,
Birminghem; A PANNGHANA, London Soulit; SM PARESO+,
London Cenving; KV PARIGE, Wednesbury; DM PARKER, Hult;
LJ PARKER, Birminghem; MA PARIGER, Durben; SG PARIGER,
Watdort; MJ PARIGH, London Eset; KA PARIGNSON, Reading;
N PARSONSON, London Weet; S PAREATT, Ringston Upon
Thermes; D PARSONS, Wednesbury; SJ PATE, Menchester;
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#### **COMMODITIES AND AGRICULTURE**

## LME aluminium prices surge to 3½-year highs

Aluminium prices reached 3%-year highs at the London Metal Exchange yesterday as traders anticipated further improvements in the market's fundamental picture.

Expectations that the multilateral pact agreed earlier this year to cut output would con-tinue to eat into stocks of the metal, already bolstered by Wednesday's news of threatened power cuts et Kaiser's Ghanaian smelter, were given e further fillip by the likeli-hood of a potline closure at an Australian plant (see adjacent

The helped the LME's three months delivery price to break through the resistance area around \$1,550 e tonne to touch \$1.570 before closing at \$1.564.

on the week so far.

The move on aluminium today was always on the cards considering recent news of production problems and improving charts," one dealer told the Reuters news agency. "Prices are now set to go higher." As cuts under the multilat-

eral pact have worked through LME stocks of aluminium have declined by more than 200,000 tonnes, or 7.5 per cent, from the record level reached on June 10. Producer stocks have also shown a substantial fall in recent months. And with developed economies moving out of recession demand for aluminium is generally expected to pick up quite strongly. "We may be on for levels

around \$1,600 soon," the dealer

#### Strike to force cut at Australian **smelter**

Australia's largest aluminiu smelter, Tomago, would close down one of its three potlines on Monday because of e strike, human resources manager Mr Graham Taylor said yesterday. reports Reuters from Sydney. Closure of the 160 pots in Potline Two at the smelter near Newcastle in New South Wales would reduce annual production by 80,000 tonnes to

260,000 tonnes. "The decision was taken purely on health and welfare considerations for our staff who are keeping the other two potlines operating during the strike," Mr Taylor said. On August 12 some 700

workers went on strike in sup-

port of a demand for an 8 per This year it has gone back to seven-day working as the quocent pay rise. Mr Taylor said the striking workers voted at a tas were eased so that the CSO meeting yesterday to continue the stoppage indefinitely. is now accepting 85 per cent of the diamonds it contracted to take from producers. However, there is still turmoil in the diamond market, caused by uncer-tainty about Russian exports following "leaks" of stones from that country outside its

contract with the CSO.

By Kenneth Gooding, Mining Correspondent,

Turbulencs in the global

diamond markets is being felt even here at Venetia, De Beers'

newest diamond mine, 30km from South Africa's borders

with Botswana and Zimbabwe.

Only weeks before the mine came into production in July

1992 at a cost of US\$400m, De

Beers' Central Selling Organi-

sation, which controls 80 per cent of world trade in rough

(uncut) diamonds, imposed

quotas on its producer-suppli-ers because of a flood of gem stones from Angola. For a time

Venetia, the first mine of any

sort in South Africa to gain

permission for seven-day work-

ing, moved to a five-day week.

shares the market's strain Consequently, Mr Hans Gastrow, general manager, says that this year Venetia will process 4.3m tonnes of ore, 6.5 per cent below its capacity. It is also mining an area of lower

Show-piece diamond mine

monds in each tonne. Mr Gastrow is giving no fore-casts but all this implies that output will be well below the 5.6m carats a year De Beers predicted Venetia would yield at full production.

grade ore, which has fewer dia-

Last year the mine, building up rapidly, more than doubled output and processed 3.6m tonnes of ore to recover 496m carats. About 70 per cent of Venetia's diamonds are of gem quality and analysts suggest that at \$100 a carat on average the mine is generating annual sales of about \$500m.

Mr Gastrow says that, apart from the imposition of the CSO quota, Venetia quote has made remarkably smooth transition from construction to production unquote. This year will be a time of consolidation.

He insists that the quota is having no impact on employ-ment. Nevertheless, Venetia originally was to have employed 870 and it now has

hill Economic Forestry, a divi-

sion of Booker, which manages

12 per cent of the UK's private

wood and wood products in the

world, produces only 14 per

cent of its own requirements

domestically. Its import bill for logs from Canada, Scandinavia

and Russia among other sup-

pliers amounts to nearly £7bm.

But imports are dropping off

the past would have employed 2,000. The total has been kept down here partly by highly automated process plant but also by "fewer people employed just to see that other people are doing their jobs", according to Mr David Gadd-Claxton, ore

Venetia was the first new South African diamond mine for 25 years. It is also the country's biggest diamond mine and a major contributor of export earnings.

The mine has also revitalised De Beer's production, as it is accounting for half the group's output in Sonth Africa and replacing production from its 100-year-old Kimberley mines, which are now fading away. Venetia's success is strategi-

cally important to De Beers because, when its ontput is edded to that in Botswana and Namibia, it gives the group direct control over more than 50 per cent of world rough gem diamond output. This provides a major base for the CSO to work from and gives it a powerful position from which to negotiate with other producers in the diamond cartel



Some highly innovative ideas are being tried at Venetia

And, while Venetia is using conventional methods to mine about 500m tonnes of waste and to mine and process 100m tonnes of ore over its projected 23-year life, it is trying some highly innovative ideas about labour relations and environmental issues, at least as far as South Africa is concerned. For example, there are no migrant workers at the mine.

Employees are bussed in from

shifts and then return to their families. Venetia is also break ing with the De Beers' tradition that, for security reasons, no equipment leaves the mine but is burried within the top security area once it is no longer useful. Here worn out equipment will be stockpiled and sold off when the mine closes. It could be worth mil-

nearby towns for twelve hour

Wide-rangi

aution

His Rolls

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FERENCE NOW

## 'Big livestock cuts needed to meet EU pollution targets'

By Deborah Hargreaves

Livestock numbers in the Netherlands, Belgium and Denmark would have to be cut dramatically if the European Union was to reach its targets for reducing nitrate concentrations in drinking water, Mr Bob Crabtree from the Macaulay Land Use Research Institute, told a conference in Aber-

He cited a report from the US Department of Agriculture forecasting that livestock herds would have to be cut in the Netherlands by 65 per cent, in Belgium by 28 per cent and in Denmark by 9 per cent over

The cuts would have to occur if producers, particularly in intensive farming regions, were unable to dispose of their slurry and animal manure in an environmentally acceptable

friendly way. "Concern with water pollution from chemicals, nitrates and phosphates has increased during the last decade, particularly in the more intensivelyfarmed areas of Europe." Mr Crabtree said.

The EU's nitrates directive which was published in 1991, advocated setting up nitrate vulnerable zones where restrictions would be placed on the timing and quantity of organic manure disposal. The Ministry of Agriculture has proposed 74 nes for the UK.

Mr Crabtree said the creation of the zones would place a heavy and expensive burden on many livestock farmers. "Some intensive units will need to invest in increased storage facilities for slurry and manure while seeking ways to

dispose of waste over a wider area than has been necessary in the past," he said.

He also called for increased research into technical solntions to the use of farm waste, other than the traditional spreeding of slurry and anure on the land.

In countries such as the Nstherlands and Belgium where intensive farming was more widespread, the impact of the nitrates directive could erode some competitiveness, Mr Crabtree suggested. But he questions whether that would e politically feasible

There will undoubtedly be an erosion in the competitive position of designated areas and a progressive transfer of production to less vulnerable areas as fixed investments depreciate and need replaceWorld timber shortage hitting British sawmills year to the end of March.

A worldwide shortage of timber is pushing up prices for prices higher than that in the past five months - just judging from the timber we've sold," logs in the UK and leading to supply dislocations as sawmills said Mr Martin Wilkinson, forstruggle to secure their raw estry operations director at Tilmaterials.

Many British sawmills are trying to run their plants at double shifts to cope with the increase in demand, but are having difficulties getting hold The Forestry Commission

reported a 9 per cent rise in the price of standing timber in the six months to the end of March as demand picked up when the economy began to emerge from recession. The commission also said that softwood log prices

environmental concerns world-'We've almost certainly seen wide restrict the harvest of natural forests. The value of timber imports to the UK has declined from £10bn in 1989 to

> £6bn in recent years. In addition, growing con-sumption of wood in many developing countries has led to

Mr Ian Mosley, president of the Timber Packaging and Pal-let Confederation said makers The UK, which ranks the eighth largest consumer of of wooden pallets had seen their wood costs increase by 20 per cent over the past six. months due to timber short-

> Pallet makers are in competition with the construction industry and fencing manufac-

plies. "Pallets play a vital part metres. in Britain's export drive. This timber shortage will make the export drive falter and higher

As more British tree plants tions reach maturity, the UK is expected to become more self-sufficient in wood production - it should be able to sup-

ply 27 per cent of its needs by

pallet prices could make

foreign markets," Mr Mosley

exporters less competitive in

Mr Wilkinson expects timber output in Britain to reach a peak in 2025 when production should touch 20m cubic metres a year, but by then demand will have grown from a current

55m cubic metres to 75m cubic

plant commercial trees, but Mr Wilkinson believes it is

#### COMMODITIES PRICES BASE METALS

LONDON METAL EXCHANGE ALUMINOUM, 90.7 PURITY (\$ per torne Close Previous High/low AM Official Kerb close 1536-8 1505-6 1510.5-1 ALUMINIUM ALLOY (\$ per toge Close Previous High/low AM Official 1540-50 1565-70 N/A ■ LEAD (\$ per tonne) 616-7 605.5-6 High/low AM Official Kerb close Open int. Total delly turnover 506-7 MICKIEL (S per torm Open int. Total daily tumover THE (5 per tonne) High/low AM Official Kerb close Open int. Total delly turnover 5470-80 N/A 6386-406 17,424 4,481 E 2010, epecial high grade (5 per Cices Previous High/low AM Official 951-1.0 1003-3.5

-1.55 116.15 114.10 PRECIOUS METALS 2 equiv. 386.30-38 385,80-396,20

213,985 80,984

IE COPPER, grade A (3 per tonne

LME Closing £/5 rate: N/A

386.30-386.70 396.00 386.00 251.220 251.090 386.40-366.80 385.60-366.00 386.00-386.60

Precious Metals continued GOLD COMEX (100 Troy oz.; \$/troy oz.) +0.5 388.3 387.0 9,167 1,152 +0.5 391.4 389.9 89,238 28,122 +0.5 397.0 387.0 8,687 50

PLATHUM NYMEX (50 Troy oz.; \$/troy oz.) 416.4 +1.1 416.5 414.0 18,024 2,402 419.8 +1.2 420.0 417.0 5,074 397 423.7 +1.3 423.0 422.0 1,938 67 477.2 +1.3 - 452 28 429.7 +1.3 - 102 PALLADRUM NYMEX (100 Troy oz.; \$/troy oz.) 162.50 +0.15 152.00 151.50 964 154.50 +0.40 154.50 159.75 5,367 155.00 +0.65 155.00 154.25 651 8,882

ENERGY E CRUDE OIL NYMEX (42,000 US galls, \$/barrel) 17.56 94,764 56,340 17.58 56,384 23,724 17.50 47,969 12,432 17.86 32,497 7,972 17.86 19,917 3,314 17.24 14,886 975 387,828 107,863 138,208 37,003 M HEATING OIL NYMEX (42,000 US gails,; c/US gails.)

Law Int Vol 49.25 42,816 22,420 50.05 20,266 5,283 +0.25 153.00 151.25 24.829 - 158.00 154.50 24.622 -0.25 158.00 157.00 12.376 -0.25 160.00 158.50 16,779 -0.25 161.25 160.25 12,050 -0.73 161.50 160.50 4.260 00 12,376 432 00 16,779 1,009 05 12,050 947 00 4,280 285 105,882 8,807 NATURAL GAS NIMEX (10,000 mm8ta; ShamBita) 1.820 +0.034 1.825 1.845 +0.020 1.855 2.065 2.060 2.100 +0.005 2.105 2.035 +0.010 2.045 1.986 +0.013 2.005 1.577 1.815 1.577 29,478 1.815 16,487 2.960 23,517 2,351 2,395

III UNILEADED GASOLINE WMEX (42,000 US gails; c/US gails,) 49.75 49.10 48.20 27,204 14,078 +0.05 +0.10 +0.60

GRAINS AND OIL SEEDS M WHEAT LCE (2 per tonne) 104,60 - 104.40 104.00

2,466 1,765 1,104 1,102 177 6,001 +0.30 107.80 107.35 +0.40 109.00 109.00 +0.30 111.50 111.10 +0.40 M WHEAT CET (5,000bu min; cents/80fb bushel) +2/4 5894 561/4 2,716 3,182 +1/4 3834 3784 48,285 12,918 +0/2 3904 3650 15,418 2,103 +2/4 382/0 377/0 1,584 159 +3/4 357/4 353/0 2,482 732 +3/4 357/4 353/0 2,482 732 +3/4 357/4 353/0 2,482 732 3764 2,718 3,182 3764 43,285 12,918 38570 15,418 2,103 37770 1,594 159 38370 2,482 732 30 15 70,467 18,111 +1/0 222/0 219/6 13,029 9,599 +0/4 223/4 220/6128,942 13,080 +0/2 233/0 230/2 28,896 1,477 +0/6 239/2 237/0 11,657 320 +0/4 243/4 241/0 11,446 557 +1/2 247/0 245/0 944 01 103.30 +0.15 103.30 103.00 104.30 +0.05 104.30 104.60 106.10 +0.30 106.00 105.50 91 473 315 55 21 582/4 578/0 6.588 3,446 5746 570/2 77,702 18,410 582/2 578/2 14,076 2,101 691/0 587/0 5,115 934 597/4 593/4 4,040 403 602/4 586/2 7,525 636 119,868 28,668 SOYABEAN MEAL CET (100 tons; \$/ton) - 173.5 172.5 11,597 3,448
-0.2 171.9 171.0 13,167 1,903
-0.2 172.7 171.8 36,732 4,791
-0.4 173.7 173.0 8,652 779
-0.5 176.4 175.5 7,460 446
-0.4 177.5 176.8 4,323 318
-0.4 177.5 176.8 4,323 318

III COCOA LCE (E/tong 1330 1324 218 66 1377 1355 41,985 6,980 1417 1396 12,596 1,182 1445 1430 2,476 181 2,476 11,305 78,004 7,406 +20 +15 +15 +15 +10 +15

E COCOA (ICCO) (SDF('s/tonne) +20 3900 3800 4,239 277 +32 3810 3710 12,690 2,780 +35 3750 3660 11,664 1,203 +24 3660 3639 5,414 161 +40 3630 3615 1,479 0 -10 3625 3625 53 3 206.75 +1.00 208.00 204.25 385 184 212.10 +1.20 214.75 209.00 23,784 6,906 215.50 +1.70 217.50 213.25 6,566 685 216.40 +1.60 218.50 214.50 2,984 167 217.30 +1.50 - 708 61 218.20 +1.95 - 407 2

COFFEE (ICO) (US cents/pound)

Aug. 31 Price Pres. day
Comp. daily 193,99 194,47
10 day average 101,04 179,40
III No7 PREMIUM RAW SUGAR LCE (centa/los) 12.34 -0.14 11.82 -12.24 -0.14 - 1,807 - 90 1,801 12.05 -0.09 12.13 12.03 52.086 7,891 12.10 -0.08 12.18 12.09 63,407 8,847 12.05 -0.09 12.10 12.05 10,342 574 11.97 -0.10 11.82 11.81 1,850 101 11.82 -0.10 11.80 11.30 494 10 11.30 11.30 494 10 11.30 11.30 494 10 11.30 11.30 494 10 11.30 11.30 494 10 11.30 11.30 494 10 11.30 11.30 494 10 11.30 11.30 494 10 11.30 11.30 494 10 11.30 11.30 494 10 11.30 11.30 494 10 11.30 11.30 494 10 11.30 11.30 494 10 11.30 11.30 494 10 11.30 11.30 494 10 11.30 11.30 494 10 11.30 11.30 11.30 494 10 11.30 11

 
 69.75
 +0.90
 99.75
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 4,143
 520

 69.73
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 98.80
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 71.75
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 92.10 91.50 1,461 1,791 92.10 95.60 9,744 1,421 99.85 99.30 4,722 559 100.00 102.00 2,503 31 108.00 106.00 655 -108.50 106.50 470 1 20,112 3,832 95.95 · 0.05 +0.25 103.00 102.00 - 106.00 106.00 - 106.50 106.50

WOLLIME DATA
Open Interest and Volume date shown for
contracts traded on COMEX, NYMEX, CBT,
NYCE, CRE, CSCE and IPE Crude Oil are one
day in erroars. INDICES M REUTERS (9000: 18/9/31=100)

MEAT AND LIVESTOCK

III LIVE CATTLE CME (40,000lbs; cents/b) 71.675 +0.825 72.100 . 70.825 26,039 III LIVE HOGS CME (40,000bs; cents/fbs) 38,900 +0,225 38,860 38,300 11,901 3,561 38,725 +0,275 39,800 39,325 9,730 1,722 38,900 +0,325 39,999 98,900 3,001 992 39,100 +0,125 38,300 40,500 584 138 43,175 +0,025 43,290 0 54 10 27,342 6,771 43.225 +0.300 43.450 42.790 7,283 43.175 +0.275 43.375 42.650 450

LONDON TRADED OPTIONS Jan 116 95 81 Oct

COFFEE LCE Nov . Oct

LONDON SPOT MARKETS III CRUDE OIL FOB (per barrel/Oct) \$15.40-5.41t \$16.00-6.02 \$16.43-6.45 \$17.85-7.67 +0.185 +0.015 -0.055 -0.100

prompt delivery CIF (torms) +0.5 -2.0 Jat tool ■ OTHER Gold (per troy cz)‡ Silver (per troy cz)‡ Platinum (per troy cz.) \$386.00 543.00 \$413.00 \$152.50 +3.0 Copper (US prod.) 37.75c 13.69m 252.5c +0.31 -0.75° -2.37 -3.16° Cattle five weight to Sheep five weight to Figs five weight to 115.68p 87.22p 75.77p Lon, day sugar (ran-Lon, day sugar (wto \$307.00 \$346.50 £312.00 Tate & Lyle export
Barley (Eng. feed)
Maize (US Nos Yellow)
Wheat (US Dark North) \$140.0

89.000

\$605.fz

75.65c 464p

-0.70

Rubber (Oct)♥ Rubber (Nov)♥ Rubber KL RSS No1 Aug ■ CRB Futures (Base: 1967=100)

1 Was allowed to go round and

(3)
11 Let off and allowed to go (10)
12 Before a National Trust enquiry starts (4)
14 Topped, like Charles If (7)
15 Came into contact with a little criston (7) number one (7) 19 Little woman clutches con-

working (6,4)
25 Delay fixed allowance for worship (9)
26 Dislike extracting lead from metallic element (5) Negotiate a special surprise

DOWN

1 Use oriental in natural enviroument (5)

2 Beach area with high quality sedimentary rock (9) 3 First nine have ended badly balanced (4-6)

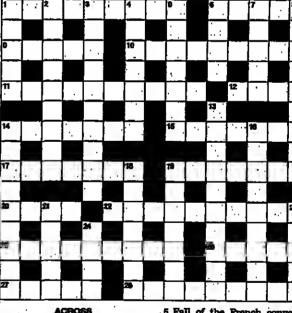
The government recently introduced a new incentives package for landowners to insufficient to compete land for agriculturs - the valus of which is buoyed by European Union subsidies,

There is a lot of agricultural land which is eminently suited to growing conifer trees, if farmers were given incentives to plant trees on set-aside land, we could grow a lot more wood than we do now," he said.

Trees need to be planted now for harvesting in 30 years or otherwise many plantations will reach their peak and then

#### CROSSWORD

No.8,548 Set by HIGHLANDER



5 Fall of the French conveyed in speech (7) 6 Soaks up goulash (4) 7 Thinking man's sculptor has har at home (5) 8 Married? Yes and drunk for 24 hours (9)

coming to an end (7,2)

14 Bad-tempered worker swallows one bread roll (9)

16 Confusing to an Irish student party over key (7)
21. Picked cold socks (5)
23. Rugby person raised in Bel-

round it (4) Solution 8.547



#### LONDON STOCK EXCHANGE

## Wide-ranging setback follows US price data

Discomforting economic developments in Europe and the US upset the London stock market yesterday afternoon, prompting a sharp fall cross the range of equities. A large sell programme was reported and the market closed in a pegative mood ahead of publication today of the latest US unemploy-

ment and payroll statistics. The FT-SE 100 Share Index closed 34.8 points off et 3,216.5. Although this was a shade above the day's low, traders believed that the 3,200 mark could be challenged today, especially if Wall Street, which was 15 Dow points off as London went home last night, reacts badly to today's US payroll data. Markets were upset by the

announcement that the pricing a range of non-Pootsie stocks, also index of the US National Associa-fell, closing 22.3 down at 3,794.8. tion of Purchasing Managers (NAPM) had risen sharply in August to its highest level for six years. This latest hint of inflation ary pressures from the US unsettled European markets already troubled by the Bundesbank's decision to leave key rates unchanged after a sharp rise in German industrial production raised concern that the downward trend in European interest rates might now be over. Analysts are now nervous of a return of "stagflation," when prices continue to rise while the economic pace

However, traders were not convinced that yesterday's shakeout in London represented significant selling pressure from the institutions. The FT-SE Mid 250 Index, taking in The big selling programme, not

finally disclosed until the market close, appeared to involve a wide range of front line stocks. But non-Footsie business made up around 62 per cent of the day's total of 677.2m shares traded through the Seaq net and several second-line stocks featured in the lists of active market stocks. Wednesday's session recorded retail business worth £1.53hn, well up to the best averages of the past twelve months.

Equity strategists said that confidence remains relatively high in the UK stock market, and thet this week's downward drift represents little more than a pause in a market now thoroughly underpinned by economic recovery and by strongly improving corporate profits and div-

They believe that these trends will enable UK equities to resist the growing concern that interest rates may be forced higher sooner rather than later; some believe that the UK authorities may elect for a pre-emp-tive strike on base rates, following

the lead shown by tha US Federal For the near term, however, company results have provided a less positive guide. The interim statement from Rolls-Royce, the aero-engine group, failed to please the market yesterday, as did the statement

nos group. The market was hard hit by the weakness in Wall Street influenced stocks which followed the opening setback in the Dow. Once again, traders were happy to take profits

board, which moved last week

to buy its own shares, has nine

Yorkshire Electricity held up

well as the market responded to talk that the shares had

responded to the expiry of an

OTC, or specially constructed

option in the stock. At the

close. Yorkshire were only 4 off

at 790p. The biggest fallers in the sector included East Mid-

lands, 18 off at 764p, Rastern 29

lower at 813p and Midlands which fell 24 to 814p.

3 to 578p after stories that the

company will not seek a refer-

Yield considerations and e

surge of optimism over US

tobacco sales gave an early

boost to BAT Industries, the

international tobacco and

Initially, buyers responded to

move from US rival Philip

Morris which increased its

quarterly divideod by more

than expected and announced

a share buy back. The raised

dividend follows recent reports

of increased cigarette sales in

the US and adds weight to

expectations that BAT will

report improved figures for

Several UK securities reiter-

FT GOLD MINES INDEX

Africa (16) Augusticale (15) North America (12)

Aug % chig Aug Aug Year Erest div 52 week 37 on day 30 29 ago yield % High Low

Copyright, The Financial Three Limited 1994.
Figures in backets store number of comparises. Basis US Dollars. Basis Value: 1000,00 31/12/82.
Predetessor Cold Mirrs Index Sep 1 : 254.0 ; day's change: -0.1 points: Year ago: 180.0 † Partial.
Latest prices were prevailable for this edition.

tohacco sales in November.

insurance conglomerate.

ence to the MMC.

**BAT** wanted

South West Water edged up

from Ladbroke, the leisure and casi-

in the big name stocks which led the market in the strong upturn seen towards the end of last week. With the latest bout of bid excitement, prompted by SmithKline's purchase of Sterling Health, receding somewhat, there were sharp falls in the drug leaders. Defence stocks, also alerted this week by the

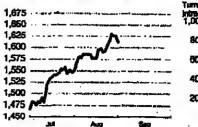
\$10bn merger of Lockheed Group

and Martin Mariatta, had a quieter

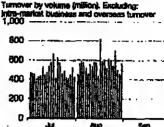
session yesterday.

Oil stocks, also, began to slide away towards the close and BAT industries finally provided almost a lone firm spot among the blue chin internationals. Losses among the consumer and retail issues fairly modest, although Kingfisher again gave ground as investors pondered the implications of the rise in French bank rates for Darty, the

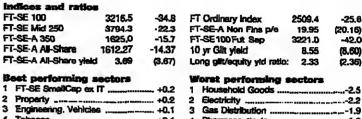
FT-SE-A Ali-Share Index



#### Equity Shares Traded



#### Key Indicators



#### **Broker** caution hits Rolls

Aero-angines Rolls-Royce came under pressure in heavy trading of 15m shares as broker's trimmed 1995 forecasts after the group reported interim figures at the

bottom end of expectations. The shares fell 10 m early trading after the company revealed profits of £40m, against a market range of £40m

Concern over inflation

continued to dominate the

futures, writes Joel Kibazo,

derivatives sector leading to a

M FT-SE 100 INDEX PUTURES (LIFFE) \$25 per full index point

FT-SE MID 250 INDEX FUTURES (LIFFE) \$10 per full index point

M FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

III FT-96 100 INDEX OPTION (LIFFE) (3216) £10 per full index point

-42.0

3805.0 3796.0 -6.0 3605.0 3795.0 3826.0 3617.0 -6.0 3826.0 3817.0

Onen Sett price Change

3796.0

sharp decline in stock index

EQUITY FUTURES AND OPTIONS TRADING

High

Sawmi

WORD

lysts on the sector eway at other results meetings, bargain hunters quickly moved into the stock leaving it to trade in positive territory for e short period mid-session.

slows down.

The shares eventually closed 8 down at 180p, as analysts digested what many considered a downbeat presentation from the company cheirman. Researchers were particularly concerned by comments from the company that engine deliveries for 1995 were at this stage likely to be lower than expec-

Many analysts stuck to their 1994 forecasts of around £100m but reduced the following year's figure to reflect the com-

Having opened at 3,262,

early buying attributed to SG Warburg pushed the

FT-SE 100 to a high of 3,265

1605B 1608 0

September contract on the

Low

pany's comments. NatWest had instructed its broker, Securities reduced its figure by E2W, to move into the market to buy in stock. Turnover of Lyonnais downgraded its forecast by £15m to 135m.

The shares have outperformed the market for most of the year and general profit-taking, along with sell recommen-dations from several brokers earlier this weak, contributed to the malaise.

#### **SWEB** active

The electricity sector fell sharply under the weight of a flurry of profit-taking but there were suggestions late in the day that one company, South Western Electricity (SWEB),

buying, the contract drifted

inflation. The decision by the

In the afternoon it was the

US purchasing managers'

fears on inflation bringing a

to the day's low of 3,244, to

test tha 3,240 support level.

the September contract. It

closed at 3,221, down 42 on

with its fair value premium to

was 15.056 lots.

Bargain-hunting in the last

some concern.

further retreat in tha

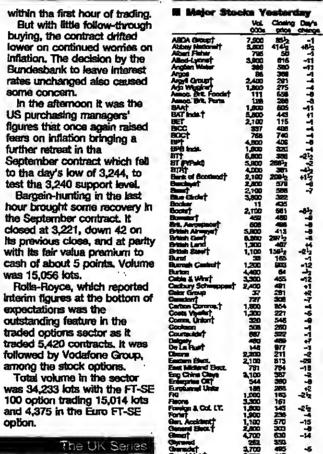
own stock before the companies enter their closed seasons 2.2m in SWEB was the third starting from the middle of the highest on record and indimonth. It was pointed out that cated that it could have bought Northern has only six trading just short of 1 per cent of its own shares. SWEB closed only days to buy in stock, while Midland has seven and Sec-

a penny off at 822p.

The rest of the Recs were hit
by profit-taking. Some dealers felt, however, that the steep declines yesterday could have been an attempt by market-makers at the big integrated securities houses to finsh out stock ahead of attempted share buy backs.

Buy backs have been on the agenda for many months and analysts expect many of the

#### TRADING VOLUME



#### **NEW HIGHS AND** LOWS FOR 1994

MENY HIGHS SIR.
SPREWERER SR Hon (J), Marylon Thompson,
SPREWERER SR Hon (J), Marylon Thompson,
SULLDRING A CHRITCH [1) Kalena, SLDG MATLS
A MICHTS (1) Genton, DESTRESS/SIC MIDLS
(1) MYSILLAND, POTER CARDIAN, TY,
SLECTRICTY (1) Seaboard, SLECTRING A

ELECTRICITY (1) Seeboard, ELECTRICE & BLECT EQUIP (3) MTL. Instruments, Notice Prices, Brook & Decker, Brack & Decker, Brack & Decker, Experted Int'l. Kobe Steel, Mangartese Brocza Rancomes, Six Handred, ENG, VERSCLES (1) LUFF, EXTRACTITY ROSS (2) MEALTH CARE (Seton Hosbinders, HOUSTHOLD GOODE (2) Rencomes, Six Hundred, ENG, WENDLIS (1)
LIPF, EXTRACTIVE BUS (8) HEALTH CARE (1)
Saton Hoshicare, HOUSEHOLD GOODS (2)
Docby, Lilliple, Swallowillod, MOSIGNANCE (1)
Lombord Krose, NYLETHIRENT TELESTE (2), JE
Asia Solect, Wenturi General, LESSARE &
HOTELS (2) Aberdeen Steek Houses, Tottenhem
Hotspur, NERCHANT BANKS (2) Schroders, Do
NV, CIL., RYTEORATED (1) Occidental
Petrolaum, CTHER SERVE & BUSING (1)
Highlands, PRING, PAPER & PACKS (5)
PROPERTY (1) Argent, SPRSTE, WRIES &
SEIDERS (2) Macdonald Martin A, Metthew Cent,
SUPPORT SERVE (2) Page (4), Reed Executive,
TRAMSPORT (3) AMERICANS (1) SOUTH
AFRICAMS (1)
MEY LONG (22).
BUILDING & CINETRIN (1) TRUTY Dougles,
DESTREEUTON'S (4) Alex, Stackhey, Bogod A,
COME, BAD, WESCLES (1) Motor World,
EXTRACTIVE WIDS (3) Argio Pacific Res,
Brachen, Momenth Res, HEALTH CARE (1)
HOSTORM, MOMENT RES.

ated their positive stance on the stock at their morning meetings. S.G. Warburg, among them, also pointed out that the yield on the Eagle Star parent had risen to 6.2 per cent against 5.8 per cent for rival composites. The house believes they should trade et parity and says the imbalance implies a

potential 5 per cent upside in BAT's share price.

market's sharp fall in late trading to close a penny higher at 443p with 5.6m traded. Rothmans also benefited from the improved tobacco sentiment to

close 4 higher at 394p. Optimism over cyclical recovery potential next year for Hanson, the internationally traded conglomerate, was offset by some heavy selling in the US.

A number of brokers have factored in earnings per share growth of around 20 per cent for next year. The stock has held up against the market since going ex-dividend on Tuesday and yesterday the shares resisted the early fall in the market to rise 2p. However, Salomon Brothers the US investment bank dealt 1,2m American Depositary Receipts - equivalent to 6m shares - et the dollar equivalent of 256p and the shares came off the top

to close marginally easier at Household products group Reckitt & Cohnan slid 25 to 627p as the company announced that first-half profits had fallen to £123.3m from £143.6m previously. The company took an exceptional charge of £56m to cover reorganisation costs in Europe and gave a disappointing trading

A two-way programme trade featuring a few sizeable individual deals affected Reuters and Zeneca. The former slipped a penny to 510p as 600,000 shares were taken out of the market while Zeneca fell 11 to BAT were up 8 at best and 828p as the shares felt the presheld out against the broader sure of an additional 700,000 in

the market.

Hoare Govett was behind the surge in activity in TSB, with shares to its clients oo the basis that the bank's profit margins are being maintained and that the bank retains its high dividend paying capacity. Hoare's banks team increased its profits forecasts for the bank, lifting its current year expectation from £480m to 2500m and that for next year from £590m to £610m.

The broker also highlighted the 11 per cent underperformance of TSB shares this year. TSB stock closed 2 firmer at 224p, after 226p, with turnover reaching 9.3m shares, the highest single day's turnover since January this year. Abbey National jumped 8%

more to 414%p as the market absorbed news that the company had increased rates on its fixed rate mortgages and that the shares had broken out of their recent range.

The recent institutional buyer of Royal Bank of Scotland reappeared yesterday, via Credit Lyonnais Laing, and drove RBOS shares up 4% more to 430%p.

Strong US buying was again noted in food and drinks group Cadbury-Schweppes. The shares closed a penny ahead at 491p, on volume of 2.4m.

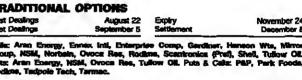
**MARKET REPORTERS:** Peter John, Steve Thompson Joel Kibazo.

Other statistics, Page 21

#### **LONDON EQUITIES**

IN EURO STYLE FT-SE 100 INDEX	OPTION (LIFE	E) £10 per full index	point		ures at the bottom	Of Carton Corona,†	727 3	108 -7 154 -4			
3026 3075 3125	3176	8225 3275 S	3325 3375		ons was the	Costs Visite!	1,800 2 1,300 2 320 5	27 -5		LONDON	
Sep 196 212 14912 312 10412 912	65 19 3		2 10772 112 15412		ng feature in the	Couleann	506 2	27		LONDON	
0c1 208 1512 10812 2312 12812 3512	96 52 67	12 7312 46 10112 25			tions sector as it	Courtesida?	687 5	250 -1 227 -1 256 +7			
Nov 2271 <sub>2</sub> 261 <sub>2</sub> 151 491 <sub>2</sub> Dec 2461 <sub>2</sub> 381 <sub>2</sub> 173 64	1		7 143 1 <sub>2</sub> 1551 <sub>2</sub>		420 contracts. It wa		148 9	- 71	Harry Street,		RISE
Mart 29012 64 22212 9312			1218412		by Vodafone Group,	Churu Eastern Block	2,200 2 2,100 8	77 -7	LIFFE EQUITY OPTIC	ONS	Hereign
Colls 1,662 Puts 2,824 * Underlying index val	be. Propines of	ateur are based on setting	sent prices."		e stock options.	East Michael Boot.	791 7	84 -18			
1 rout dated exhits mounter					olume in the sector	Exp China Clays Enterprise Off	3,100	THE CANAGE OF THE PARTY OF THE	— Cols — Puts —		
II EURO STYLE FT-SE MID 250 INI	DEX OPTION	(OMLX) \$10 per full	Index point		33 lots with the FT-	E European Units	186 2	85 +2 85 -2h	Option Bet Jee Apr Oct Jee Apr		- Mirrora
3500 3650 3600	3650		3800 3850		n trading 15,014 lot	Figure . Col. 17	3,300 1	61	Alled-Lyons 589 48% 81% (*615.) 838 14 23	Harmon 240 23 25 28% 4% 8 1	Z Genera
<b>Бер</b>			2 52 3672 80	and 4,379	in the Euro FT-SE	Foreign & Col. LY. Forei	1,800 1	45 45 15 15 15 15 15 15 15 15 15 15 15 15 15	(*615 ) 636 14 23 Arged 280 2014 28 34 814 18 2014		9000
Calls O Puts D Schliement prices and volumes	are token at 4	30pca.		option.		Gurs Accident	1,900 Z 1,100 5 Z,800 3	70 -15	(290) 300 8% 16% 24 10 27 31		<ul> <li>Service</li> <li>Utilities</li> </ul>
		-				General Elect.†	4,700 6 262 3	30 -14	ASUA 60 8 101/2 12 204 4 506		Rnanci
FT - SE Actuaries S	hare in	dices			The UK Series	Grands†	262 3	90. 905 5	(42) 10 2 5H T T D 10H		
					72	Grand Marit	3,700 2,800 1,800 1,300 1	45	Brit Almeys 390 34 4316 5216 7 1535 2016	P&O 850 44 81% 70 22 33 44 (680) 750 18% 36 46% 50% 60% 73	Others
		Day's	Your Your	Div. Ea			1,300 1	89 -7	(413) 420 16 27 38% 20 29% 35	DEScribes 180 US 2814 91 4 714 04	
	Sep 1	chge% Aug 31 Aug	30 Aug 28 ego	ylekt% yiel		11 G(01)	3,400 4	26 -2 67 -11	940 Rule A 420 35% 46 82% 8% 16% 23 (*444 ) 480 13% 52% 32 26% 36% 44	(*196 ) 200 12 14 19½ 12 16½ 10	Damp Des
FT-SE 100	3216.5		<b>49.6 3265.1 3072.6</b>		1.79 17.39 88.65 1211		1,800 7	36 -7	Boots 550 28 3874 52 1314 2414 3114	PRODUCTION 300 3412 40 44 512 673 12	
FT-SE Mid 250	3794.3 3801.2		13.8 3807.0 3489.8 17.8 3810.7 3505.9		5.48 21.91 86.18 1407. 5.93 20.42 88.79 1408	Managent .	1,800 7 1,200 3 8,800 2 918 1 402 2	7 14 17 1 15 14 17 1	(TSEO ) 500 6 16% 20 44% 53 59%	(329) 390 15 22% 27% 17% 21% 30	
FT-SE Mid 250 ex Inv Trusts FT-SE-A 350	1625.0		38.7 1645.1 1539.0		148 18.27 42.98 1252	- INTEREST OFFICE	918 1 479 2	数 3 3 3	EP 390 30 38% 45% 8% 14 18%	RTZ 850 58 76 90 24 - 35 46 (1880 ) 500 28% 59 84% 50% 61% 72	
FT-SE SmallCap	1910.54		5.81 1902.88 1779.77		1.14 30.93 37.58 1477		1,100 1	75 - 12 - 12 - 12 - 12 - 12 - 12 - 12 - 1	(408 ) 420 TZ% 22% 30 20% 28 33	Redund 550 27 42% 49 28% 33% 46%	
FT-SE SmeeCap ax Inv Trusts	1874.35		7.99 1866.21 1777.25		1.59 28.43 38.56 1452		253 33 1,800 83 286 4	12 -12	Better Steel 140 23% 27 30 1% 4 5%		
FT-SE-A ALL-SHARE	1812.27	-0.9 1626.64 1625	5.57 1630.33 1525.05	3.69	1.32 18.82 41.87 1263	Inchesper	290 4 83 5	77	(*158 ) 160 9 13% 18 7 11 13% Same 550 47% 57 64% 7% 16% 29		L H St IVE
FT-SE Actuaries All-	Suare	Day's	Year	Div. Es	m P/E Xd adi. Tot	Kingterert	1,200 6	77 31 -8 24 -3	(588) 600 TTh 27H 87H 29 47 58H		Lieut
	Sep 1	chge% Aug 31 Aug		yield% yiel		TI Lackrobat	9,100 1	7 1		(248) 260 81/15 18 21 241/25	Calle: /
40 AMERICAN STREET	2749.51		1.12 2754.21 2353.90		5.15 24.39 54.71 1095		9,100 1 1,300 6 231 7	45 45 44 45	Cathe Littles 4200 455% 655 65% 65% 65% 155% 21 C455 ] 480 195% 34 45 23 33 39	Vadelone 200 17 21% 27 8% 13 15%	Group,
10 MINERAL EXTRACTION(10) 12 Extractive industries(4)	3998.27		2.85 3976.07 3443,10	3.19	5.04 24.87 54.24 1091	in Legal & General)	9,100 1 1,300 6 231 7 2,300 4 2,200 3 9,500 933 3,600 1 671 7 4,900 1	80 -6 87 +8	Courtsuids 500 3314 4414 86 12 21 6 27 H	(*230 ) 21/ 69/ 13/2 10 22	Puts: A
15 Oil, Integrated(3)	2703.04	-0.9 2727.80 2720	0.28 2705.21 2260.40	3.40	5.54 22,47 59,99 1100		8,500 95	1 - 12 142	(SZI ) 550 8 26% 31% 36% 49 55%	P364) 384 7% 21%	THOUSE OF
16 Oil Exploration & Prod(11)	1917.34		107 1970.91 1674.60		27 80.001 20.34 1099	Landon Flori	8,800 1	48 -45 28 -34 44 +15	(S47) SSO 18% 34% 43% 10 27 39	Option Oct Jan Apr Oct Jan Apr	
20 GEN MANUFACTURERS(284)	2043.42		3.58 2088.B4 1916.50		1.60 26.80 81.78 1038	Lonto	4,900 1	46 17		RAA 500 20% W 20% 16 20 26	LUM
21 Building & Construction(32)	1201.38		1.66 1171.68 1152.40		1.41 29.23 21.47 933. 1.00 31.35 45.78 944.		2,200 2 477 4 450 148 859 8	66 -4	10 800 92% 73 85 13 25% 40%	PSM 1 506 10 18 27% 20 WW 18	DEPUT /
22 Building Matts & Mercho(31)	2017.93 2516.77		1.05 2008.50 1802.60 5.39 2550.48 2266.30		LOA 31.26 72.57 1113	S MA	450 146	14 -14	(*633 ) 850 2314 45 57 35 (9.5 66% Keedisher 500 4115 14 85 11 19 24%	Thames We 500 46 53 60% 8 17% 19%	price p
23 Chemicsis(22) 24 Diversified Industrials(16)	2037.58		3.55 2083.67 2001,DC	4,46	1.50 26.73 64.86 1037	Merty & Spencer†	1,800 4 802 8 817 1	4 1 20 2 4 1 5 10 10 10 15 15 15 15 15 15 15 15 15 15 15 15 15	(*530 ) 550 13 28% 38% 35% 44 49	(335) 330 1672 2071 34 2011 4071 44	
25 Electronic & Elect Equip(35)	2031.08		3.35 2058.81 2144.60		20 19.25 55.09 992	B pecialide Sect.	817 1	47 -4	1-19-10 m 10 fr 400 mm 10	Option Sep Duc Mer Sep Dec Mar	
26 Engineering(70)	1893.70		7.17 1927.47 1680.90 I,62 2408.73 1981,40		1.65 25.58 39.09 1078 2.43 58.74 54.23 1151.	- re-cr	2,000 1	72 -8 87 -10	Cess 700 8 14 25 50% 39 60%	Abbey Nat 390 29 41% 42% 3% 10% 33%	
27 Engineering, Vehicles(12)	2394.98 2893.38		0.72 2936.05 2483.40		.07 23.11 69.81 1132	11 Nettonal Powert	2,200	15 -6	Marts & 5 420 21 311/2 4014 654 17 21	(*413 ) 420 9 33% 31% 15% 23% 33% Armstrad 30 3% 4% 8 1% 2 4	
28 Printing, Paper & Pokg(26) 29 Textiles & Apparel(20)	1699.22		2.48 1755.16 1892.60		120 18.73 40.49 957.	- LANGE ALARES AND ADDRESS OF	982 6	70 +1 80 -12	(430 ) 480 4 121/2 22 33/4 385/ 43	(31) 35 1% 2% 3% 4% 9% 7%	186
30 CONSUMER GOODS(97)	2870.73		1.70 2923,12 2058.20		.04 16.40 83.29 983.0	Northern Sect.	2,000 1 1,800 4 2,200 4 2,200 2 820 8 820 8 1,300 8 1,300 6 1,000 6 2,900 199 1,500 2 2,500 2 1,700 8	80 -12 34 -20 15 -2	Hadriest 460 39% 54 69% 8 15% 26 (457 ) 500 16% 31 37% 26% 33 45%	Barcheys 550 36 64% 65 4 151/2 24	120
31 Brawerice(17)	2365.36		2,14 2360.22 2066.20 1,60 3049.61 2968.10		7.26 16.73 60.23 1058. 3.43 18.02 80.92 1003.	Norweb .	1,300 8	25 -20 25 -20		( 319 ) 000 au 51 314 50 30 30	
32 Spirits, Wines 8 Cidera(10)	2994.51 2399.61	_0.5 2414.05 2413	106 2432.36 2394.40		.37 15.77 71.03 1006	n PACT	1,000 8 1,000 6 1,000 6 2,000 12 1,000 2 2,500 3 1,700 8 1,700 8 1,700 6 3,400 6 1,100 7 3,400 7	59 -3 81 -8	Saltestery 420 40 48 58% 7% 16% 21 (*440*) 460 15 27 37 24 14 38%		
33 Food Manufacturers(23) 34 Household Goods(13)	2581.00	-2.5 2646.57 2627	7.96 2022.53 2487.90	3.48	14 16.69 52.80 920.		1,500 8	2 - 1 E	(*449 ) 460 15 27 37 24 14 38% Shell Trans. 700 51 82 79 8 14 24/2	British Gas 280 21% 25% 28% 2% 0 12%	
36 Health Cere(21)	1725.51		247 1718.57 1519.10		3.18 44.40 33.90 996. 3.89 16.80 70.05 981.4	7 Production	2,500 8	30 -4 84 -3	[745] 750 16 31% 46% 29 38 46%	(*297 ) 300 8 14% 19 9 18% 21% Discus 200 15 26% 28 4 9 14	_
37 Phermecoulicals(12)	3155.33	-1.3 3213.72 3240 -0 1 3707 98 3681	5.85 3255.91 3183.10 1.84 3749.92 3928.30		28 11.60 217.07 848.7	s माटो	1,700 8	60 -3 57 +1	Starefoure 200 25 29 32% 2% 5% 5% 5% (219) 220 11 16 21 9 15% 17%		
39 Tobecco(1)	3712.17		.98 2047.62 1939.30		.95 20.27 41.00 989.1	Rent Cred	3,100 4	19 -47			23
40 SERVICES(219)	2021.73 2753.38		3.1S 2754.97 2817.30		.43 18.36 62.40 950.	G Packerett	3,400 E	19 412 27 -25 55 -7 75 -40	Testingur 90 9 5% 13 8% 0 12 (790) 100 2% 6 8% 12% 18 18	(*179 ) 180 7 11% 17 7 12% 14%	
41 Distributore(31) 42 Leisure & Hosels(24)	2118.23	-0.8 2131,35 2139	1.07 2165.45 1981.60	3.27	L57 25.57 48.44 1043.	Page Brill	3,800 2	75 -10 22	Usiner 1100 64 85% 100 10% 27% 42%	Loreto 140 6 15% 19 4% 8% 12	450
43 Meda(36)	2981.08		).11 3023.66 2540.60 ).24 1900.73 1955.30		i.07 22.94 59.06 1033. i.60 14.38 45.10 1106.		1,500 5	10 -1	(*1141) 1150 32% 54 70% 34 50 65%		_
44 Retailers, Food(17)	1854.96		.00 1758.90 1863.20		18 20.25 33.52 327.6		3,900 430	80 -6 81 -6	Zeneca 800 45 81 73 15 25% 44 (828) 850 15 35 48 44% 53% 70%	Nati Power 500 25% 49 51 9 22% 29	
45 Potatiers, General(45)	1743.55 1580.20	+0.1 1577.91 1581	.10 1563.58 1653.30	2.80	.98 19.73 28.12 957.		1,800 25 2,700 46 918 15	n -6 m -7	Ogition New Yeb Way Nov Feb Hat	(5.17) 555 7 1111 57 55 1511 51	_
48 Support Services(40) 48 Transport(16)	2385.91	-1.2 2416.11 2420	.04 2430.62 2310.50	3.52	1.08 22.80 42.36 930.0		914 15	20 -7	Scarel Mart 420 39 46 55% S 18% 23%	. Scot Power 390 27% 41 46 5 14½ 18 (*410 ) 420 19 25% 30 15 27 32%	
51 Other Services & Business(6)	1321,86		.66 1329.09 1310.60		11 80.001 21.48 1131.	Scot Hadro-Beat	945 50 4200 44	82 → 85 -13	(144 ) 450 1614 2614 3316 2814 39 44	Seas 110 12 14 1616 116 316 516	
80 UTRITIES(38)	2519.23	-1.7 2582.15 2588	112 2573.40 2322.90	4.15	48 16.29 73.42 970.4		4,800 44 4,000 44 1,800 119	09 -15 12 -2	Ladorska 160 151/2 22 251/3 8 111/2 1514	(*119 ) 120 435 74 11 435 7h 10%	
62 Bectricity(17)	2688.1S	-2.2 2747.38 2754	1.74 2734.04 1938.60 1.98 2052.28 2192.20	3.41 ( 6.07	1.18 13.05 83.46 1117. ± ± 66.79 901.6	A 2500774678	802 16	57	(*167*) 180 894 1394 17 21 2394 2794 Und Blacolin 230 19 2694 50 14 2196 30	Forty 220 19% 24 29% 3 8 12 (235) 243 6% 13 18% 10% 16 22	
84 Gas Distribution(2)	1972,62	-1.3 2110.57 2108	3.50 2117.90 2122.70	3.96	.55 16.12 50.22 668.5	Sectional Court Treat	560 44 702 5	-12	(733) 350 6% 13% 17% 37 40 49		40.7
68 Telecommunications(4)	2083.73 1981 <u>.95</u>	-1.5 2011.71 2032	.35 2040.83 1876.60	4.80 1	.95 9.12 69.35 990.7	7 Shell Transport	2,500 745 443 57 214 22	47	Option Sup Dec Mar Sup Dec Mar	Terraic 140 23 25% 29 1% 5% 8 (*159) 180 9 13% 17% 7% 14% 17%	
68 Water(13)	1748.15		.64 1772.60 1651.40		03 18.95 43.69 1230.	8 Sloogh Ests	214 2	2 +1	Figures 140 14 17 19 2 516 9	Thorn EMI 1000 38 79 06 151/ 331/ 50	P
69 NON-FINANCIAL SESA			.73 2229.55 2181.10		.87 12.94 74.38 883.3	Combined U.S.	214 Z 313 ST 871 154 4,300 4	4 -1	("151 ) 160 3 E% 18W 12 17% 20W	(*1020) 1050 14% 44% 59 43 60 75	
70 FINANCIALS(104)	2235.20 28\$4.54	-0.7 2873.81 2834	.00 2833.81 2604.30	4.22	39 12.12 102.87 854.3	I SHAN SAMETHINE	4,300 4	10	Option How Felt May Nov Feb May	TSB 220 9% 17 22% 5% 11 17 (*224.) 240 2 0 14 19 23 28%	99
71 Benks(10)	1269.49	-1,1 1284,17 1282	2.77 1292.28 1432.20	5.02 12	LES 8.73 47.80 865.9	. STREETS INCH.	2.300 40	<b>3</b> -9			
73 Insurance(17)	2515.69	1.2 2548.91 2521	.65 2627.17 2616,20	4.85	23 16.99 85.34 955.5	Scattern Flore?	1,500 60	7 -7 5 -90 8 -80 7 7	Bit Acro 460 55% 86% 76% 18 24 32 (496 ) 500 30% 46% 56% 33% 44 52	Tournins 220 24% 38% 34 1% 5% 0 (241) 240 8 17% 22 7 13% 17	
74 Life Assuranco(6) 75 Merchant Banks(6)	3167.93	-0.4 5180.21 3144	1.46 3136.33 3100.20 1.58 1977.78 1832.00	3.13 10 3.54 7	.42 11.17 76.42 953.0 .85 15.14 45.38 1064.		448 45 1,500 80 451 70 565 57	78 -30 78 87	(498 ) 500 30% 45% 56% 33% 44 52 BAT inds 420 39 \$1% 56% 11% 15 24%	Westcome 700 31 % 58 % 77 % 18 36 % 48 %	
77 Other Financial(24)	2003,95	40.1 2001.19 1908	183 1582.70 1575,00	3.85	97 31.38 37.49 892.6	South West Bed	4,700 8	2 -1	["443] 480 17 29 34% 30% 34 46	(7710) 750 11 35% 53% 49 65 75	
79 Property(A1)	1584,77		.87 2933.25 2574.20		.79 58.62 48.12 978.1	SOUTHWEST VENTER	1,800 2	5 -5	The second secon	Option Oct Jan Apr Oct Jan Apr	_
80 INVESTMENT TRUSTS(128)	2914.67						60 219 861 4	ર્યું -1 <sup>1</sup> 2 ાટ -2	BTR 360 28% 36 46% 9% 13% 19% [7380 ] 380 12 19% 29 25 29 35	Slave 600 40% 58 66 23 36 47	
88 FT-SE-A ALL-SHARE(861)	1612.27	-D.D 1626.64 1625	i.57 1630.33 1525.0 <i>8</i>	3,69 (	32 18.82 41.87 1263.	144	8,200 2	44	Brit Telegram 380 38 4114 4814 474 974 13	(*629 ) 650 15 23 41½ 53% 55 73%	
						Ti Groupt	8300 27	4 42 4 42	(7369 ) 380 18 23 36% 15 23 25W	158C 75p das 700 15514 81 99 2574 4314 6514 17733 ) 750 2674 59 74 5114 69 93	
Hourly movements		11.00 12.00	13,00 14,00	15.00	15.10 High/day Low/da	, lamec	1,800 219 60 219 601 34 8200 24 496 57 8,200 15 454 45 1,500 14	9 -1 <sup>1</sup> / <sub>2</sub> 9 -10	Cadbury 9ds 460 37% 50 54% 9 14 21%	Rectars 500 27% 43 54 15 25 32	
Open 9.0						7 Tate & Lyle Taylor Woodow	1,900 14	5 -10	(*489 ) 500 1E 28 33% 27% 33 41%	[509] 512 2114 2114	FINAL
FT-SE 100 3243.5 3247		3230.1 3232.1 3799.5 3801.3	3230.2 9227,3 3798.1 3798,9		218.3 3250.4 3215.4 3786.0 3514.5 3794.3	Taylor Woodsow Teacoft Themes Water†	4,000 248 497 53 1,200 103	₹ -15 \$ -10	Saders Bec 800 64% 73% 86% 34 47 53%	Option Nov Feb May Nov Feb May	
FT-SF Mid 250 3812.7 3813					1625.0 1640.0 1624.7		1,200 102	7 -2	(°213 ) 850 34 49 82% 61 73 79%	Refer Poyce 160 2315 2715 30 4 6% 8%	Ordinari
ET CE A 26A 1637.3 1039						Transport House	4,300 24 2,300 S	0 -1	Guinness 480 371/4 4879 36 9 15 22 [487] 500 15 2814 34 30 35 4214	(*178 ) 180 10% 15 19% 12 15 18%	Ord, div.
Time of FT-SE 100 Day's high. 6.38am Day	r's low: 3.6300	. FT-SE 100 1994 High	h: 3520.3 (2/2) Low: 28	78.8 (24/6).		Unicate	2,200 96 1,200 114	8 -1Z	SEC 300 17% 22 27 11 15 17%	<ul> <li>Underlying security price. Premiums shown are based on closing offer prices.</li> </ul>	Earn. yk
Time of FI-SE 100 Day's high, outside the	,					Torridas† Trabapar House Uniques Uniques Uniques† United Electris†	1,500 14 4,000 248 497 52 1,200 103 4,200 24 2,800 5 2,800 11 1,200 114 1,800 55	S -2	(303) 230 514 814 14 30 3314 3614	September 1. Total contracts: 34,055 Calls:	P/E ratio
		heekete				194 Management	900 40	4.9		Total Carlo 19 4/8	P/E milio

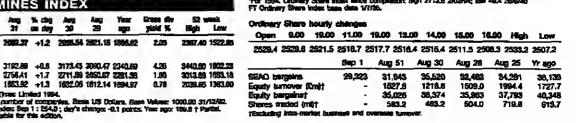
## SES AND FALLS YESTERDAY ATTENT FRONTS



		N RE	CENT ISSUES: EQUITIES								
price		CED	19			price		Not	Die	Grs	P/E
P	WP.	(Tury)	High	Low	Stock	P	+}-	the.	COV.		net
_	F.P.	25.6	100			96	+1		-	-	
-	F.P.	20.4	89	81	Ballie G Strr Wrts	BT		-	-	-	
100	F.P.	19.4	102	100	Beacon Inv Tst	102		-	-	-	
-	F.P.	1.82	48	43	Do. Warrants	48		_	-	-	
15	F.P.	6.29	35	21	Camell	34		-	-	-	
186	F.P.	74.1	173	165	Chembertain Ph.	166		W7.3	1.0	5.5	21,
120	F.P.	12.5	133		Copyright Prom.	125		uN1.0	2.8	1.0	44.
_	F.P.	8.71	71		Freeport	88		_	-	-	
-	F.P.	1.56	112	12	MC Inde Write	112		-	-	-	
-	F.P.	32.2	94	91	INVESCO Jon Diec	92	-1	_	-	-	
-	F.P.	3.36	80		Do. Warrants	48		-	-	-	
-	F.P.	-	77	63	JF FI Japan Wrts	96	-1	-	-	-	
_	F.P.	20,4	49		*Magnum Power	48	+1	-	-	-	
100	F.P.	65.5	98	91	Old Muturi SA	2312		-	_	_	
-	F.P.	5.74	45	41	Do Warrants	41		_	-	-	
23	F.P.	10.6	81	29	Orbis	29		-	-	-	
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-	F.P.	1,26	40		Petrocettic	40		_	_	_	
150	F.P.	178.8	162		Pillar Property Inv	158	-2	LN3.7	_	29	
_	FP.	4.79	44	36	Subar With 99/04	41	-		-		
100	F.P.	3.81	105		TR Euro Oth Pto	105		-	_	_	
	F.P.	2.40	36		Tope Ests Wrts	30		_	_		

issue price	Amount peld	Latest Renun.	19	94		Closing	+01-
Þ	цр	date	High	Low	<b>Stock</b>	Р	
340 32	M	23/9 3/10	53pm 1 <sup>3</sup> 2pm	41pm <sup>1</sup> 2pm	Gibbs Mew Ragien Props	53pm 1pm	+2

FINANCIAL TIMES EQUITY INDICES									
	Sep 1	Aug 31	Aug 30	Aug 26	Aug 25	Yr ago	High	Low	
Ordinary Share	2509.4	2535.0	2539.8	2552.0	. 2529.5	2401.4	2713.6	2240.6	
Ord. div. yield	4.07	4.03	4,02	4.00	4,03	3.84	4.46	3.43	
Earn. ytcl. % tull	5.86	5.80	5.78	5.76	5.81	4.53	5.95	3.82	
P/E ratio net	18.27	18,44	18,48	18.58	18,42	28.17	33,43	17.89	
P/E ratio nil	18.87	16.05	19.08	16.16	19.03	26.01	30.80	18.61	



FT-SE 100 FT-SE-Mid 25

M FT-SE Actuaries 350 Industry baskets Open 8.00 19.00 11.00 12.00 13.00 14.00 15.00 18.10 Close Previous Change 1166.6 1199.8 1183.4 1180.8 1193.5 1162.2 1162.4 1162.2 1163.7 1182.3 1187.1 1170.6 3175.1 3154.7 3136.7 3146.5 3146.6 5139.3 5151.1 3123.8 3129.7 3183.8 2006.5 2008.7 2004.1 1980.7 1987.4 1988.6 1988.8 1988.3 1983.0 1981.5 2011.9 2902.5 2911.8 2910.1 2903.5 2905.0 2901.8 2901.2 2398.7 2887.9 2890.2 2508.6

**LONDON SHARE SERVICE** 

70 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 1 

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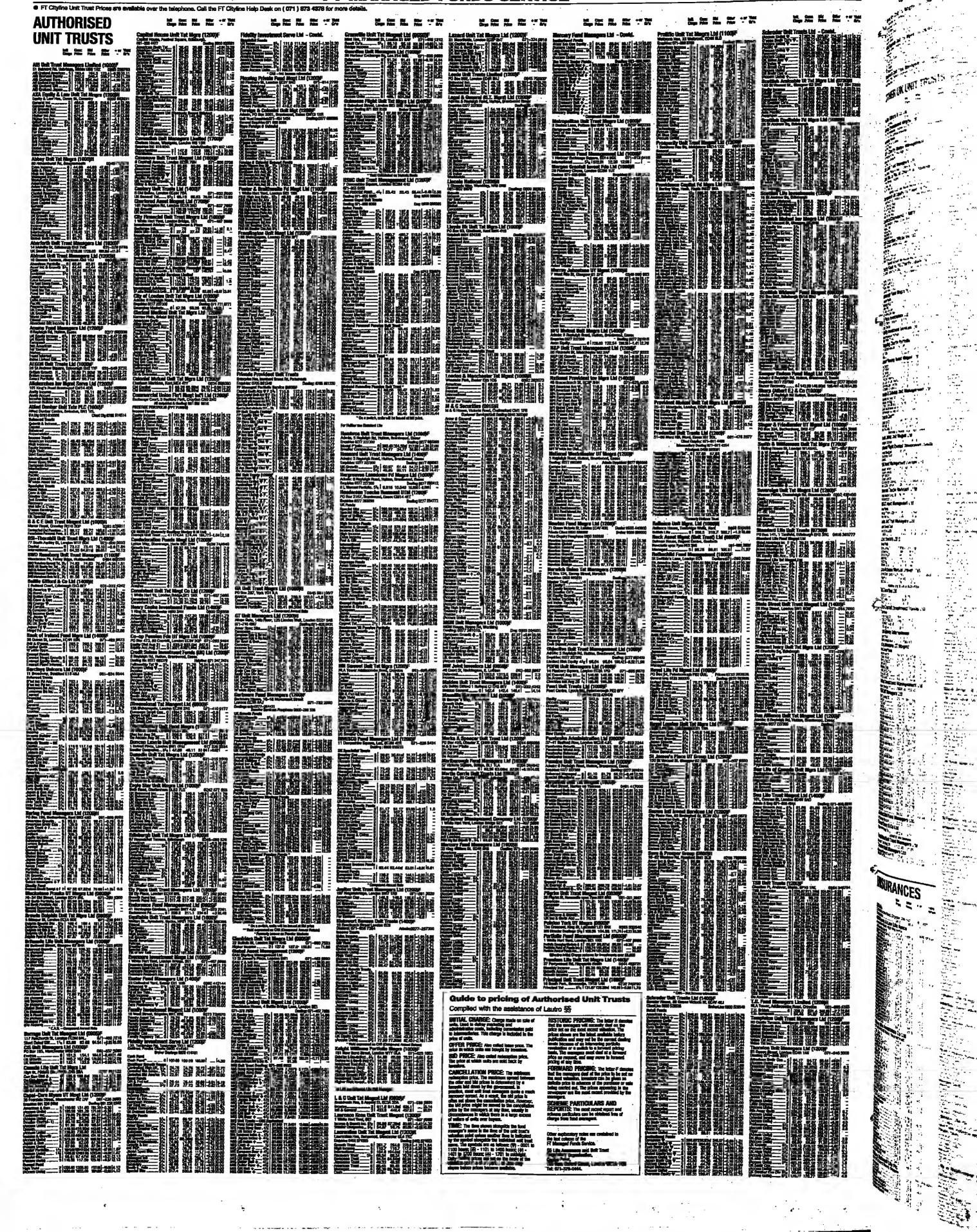
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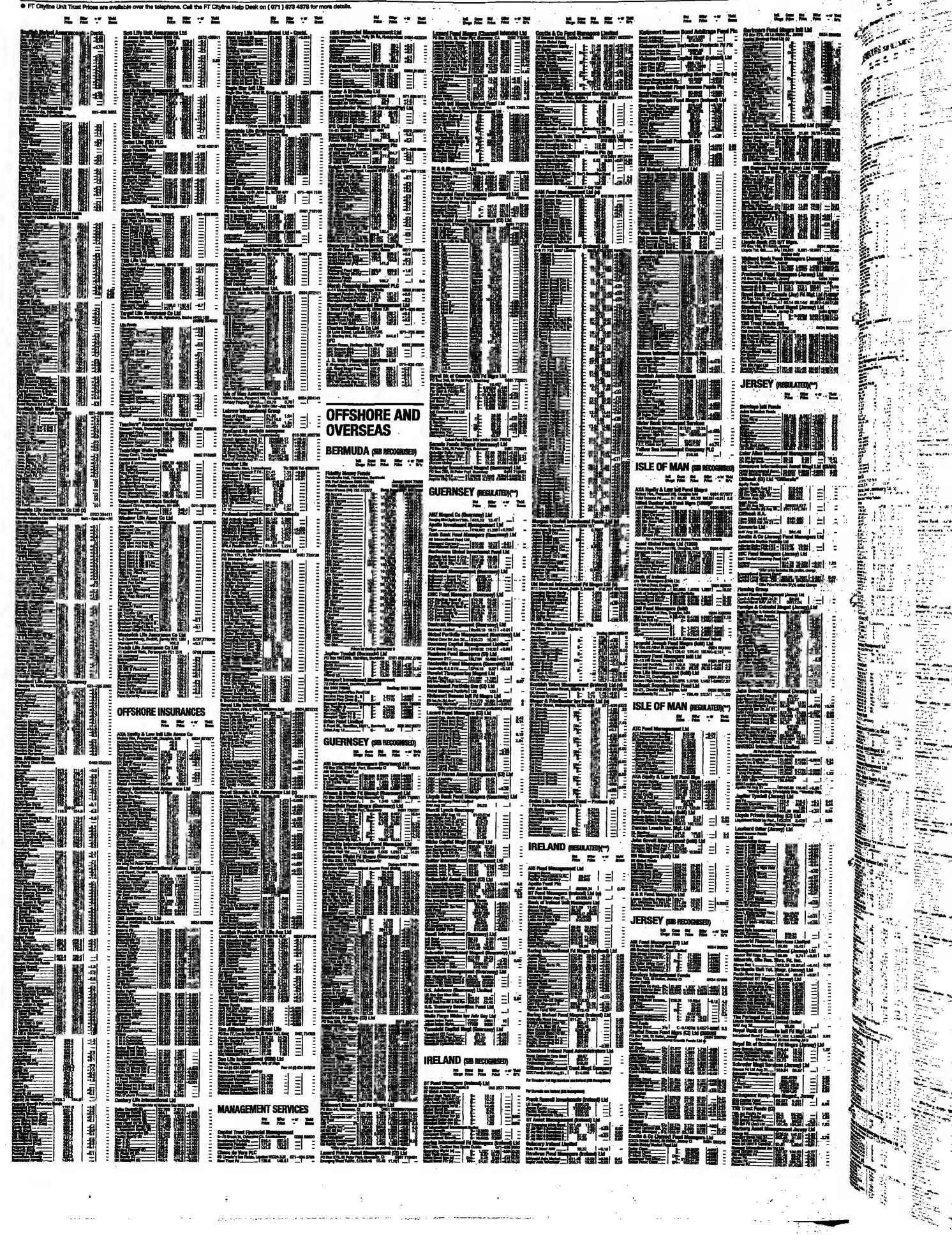
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#### FT MANAGED FUNDS SERVICE



	FINANCIAL TIMES	FRIDAY SEPTEMBER 2 1994 *	35
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#### **CURRENCIES AND MONEY**

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#### **MARKETS REPORT**

#### No change from Buba

Traders were yesterday left twiddling their thumbs after the Bundesbank council left all its leading interest rates unchanged, writes Philip

The Bank's decision, leaving the discount and lombard rates unchanged at 41/2 per cent and repo rate fixed at 4.85 per cent for a further two weeks, was

widely expected. In the US the dollar weakened after the prices compo-nent of the August purchasing manager's index rose to 74.5, the highest level in six years. This prompted weakness in the bond market, and a fall in the Dow Jones industrial average below 3,900, which burt the

The dollar finished in London at DM1.577 from DM1.5788. Against the yen it closed at Y99.665 from Y100.175.

The focus has now shifted to the release today of US pay-rolls data. The prospect of a long weekend in the US also curbed the market's appetite for taking large positions and this had a dampening effect on

In Europe the D-Mark was little changed after the Bundes-bank's decision to leave rates unchanged. Sterling had a very quiet day, with the trade weighted index unchanged at

The response of US markets and the dollar to the purchasing managers' index was a reminder of the bearish psy-chology which continues to plague the dollar. Some analysts had recently predicted that softer than expected data, which was good for the bond market, might be the catalyst for a dollar revival. Yesterday's movements suggest that rea-

soning to be premature. Analysts said the softness of other parts of the report - such as falls in new orders, production and the employment index should have offset the prices index and prevented the dollar going lower.

Earlier the dollar had received some encouragement from Mr Robert Mcteer, president of the Dallas Federal Reserve bank, who said the long term outlook for the dol-lar was pretty good. He pre-

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dicted it would be stronger in

Analysts said the market's esponse had been constrained by the release of the monthly employment report, and the start of a long weekend. Some traders are expected to start squaring their positions with Labour day and Rosh Hashanah holidays next week.

■ The Bank of France left its intervention rate unchanged at 5 per cent, despite the decision earlier in the week by leading French commercial banks to raise interest rates by 25 basis

Although the franc was fairly firm, analysts warned that trouble may lie ahead. Economists at Nikko Europe say that unemployment, which fell to 3.07m in July, will be the main issue in the May 1995 presidential election.

They argue that the economy needs further stimulation, but the commitment to reduce the budget deficit removes room for fiscal manoeuvre, while the Bank of France's commitment to a stable Franc/D-Mark rate means French rates are set in relation to German rates.

The Nikko economists predict that there will probably only be one further cut in Ger man rates, in late September early October, "The French economy needs more than jus one interest rate cut (but) it i not likely to get it. This is likely to lead to an increased

political ri	sk p	rentum	in	boti
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Elsewhere in Europe the lira. having recovered to L1,000, again fell victim to profit-taking. The catalyst was a renewed bout of political squabbling, prompted by com-ments from Mr Umberto Bossi, the Northern League leader. Mr Bossi alleged that the prime minister, Mr Silvio Ber-

lusconi, had asked President Scalfaro's permission to call a fresh general election in the hope that the League would lose much of its vote. Both the president and prime

nimister denied this claim, but it served as a reminder of the fragile nature of Italy's ruling coalition. The episode also cast doubt on whether the requisite political resolve exists to deal with difficult issues, like curbing state spending.

The Bundesbank's decision to leave its official rates unchanged, and to fix the repo rate at 4.85 per cent for a fur-ther two weeks, elicited limited market response. The December Euromark contract traded 27,315 lots to close at 94.84 from 94.88. The decision was fairly widely predicted.

■ Scandinavian currencies have recently been surpris-ingly firm, but Mr Muj King, global director of forex and money markets at Technical Data in London, predicted that a correction of "several big fig-ures" was due. "This retreat is especially possible because the Bundesbank is at tha end of a cycle of cuts and thus German interest rates are likely to firm and have an adverse effect on tha Scandinavian bloc."

■ The Bank of England provided UK money markets with £462m assistance, at established rates, compared to a forecast shortage of £500m. Overnight money traded between 3% per cent and 5 per

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# MONEY MARKET FUNDS

#### **Money Market Trust Funds**

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#### **Money Market Bank Accounts**



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### Standard & Chartered

Standard Chartered PLC

£150 million Subordinated Floating Rate Notes due 1996

In eccordence with the provisions of the Notes, notice is hereby given that for the three month period from 31st August 1994 to 30th November 1994 the Notes will bear interest at the rate of 5.6625 per cent per annum.

Interest per £5,000 Note will amount to £70.59 and will be paid for value 30th November 1994 against surrender of Coupon No 34.

> West Merchant Bank Limited Agent Bank

AUSTRALIA AND rling Floating Rate Notes due 1997 per annum.
On November 30th, 1994 Interest of starting 70,90 per starting 5,000 nominal amount of the Notes, and interest of sterling 354.49 per starting 25,000 nominal amount of the Notes, will be the best of the Notes, will be the territory amount of the Notes, will be

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24hr Foreian Exchan Tal: 077-931 9188 Fee: 071-931 7114

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FINNOS	(FFt)	60.13	11.52	10	2.922	1.219		3.278	12.80	297.5	242.2	14.26	2.453	1,203	2.536	1,863		1,529
Bontstay	(DMQ)	20.58	3.943	3.422	1 200	0.417	1002	1.122	4,380	101.8	82.87	4.879	0.836	0.412	0.867	0.634		
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Norway Portugal	(Fs)	20.21	3.873		0.982	0.852		2.561 1.102	10 4.302	232.4	189.2	11.14	1,918	0.940	1.980 0.852	1.447		1.195
Spain	(Pts)	24.83	4.758		1.207	0.503	1218	1.364	5.286	122.8	81.40 100.	4.792 5.887	1.013	0.404	1.047	0.623		0.514
Sweden	(SKy)		8.082		2.050	8.855		2.300	8.979	208.7	169.9	18	1.721	0.844	1.778	0.765		0.631
Switzerland	(SFr)	24.52	4.697		1.161	0.487	1184	1.336	5.218	121.3	98.72	5.812	1	0.490	1.033	0.755		1.073
LINC	(2)		9.577		2.428	1,013	2435	2.725	10.64	247.3	201.3	11.85	2.039	1	2.107	1.540		
Canada	ICS9	23.73	4.546		1.153	0.481	1156	1.293	5.050	117.4	95.54	5.624	0.968	0.475	1	0.731		
US	(5)	32.46	6.219		1.577	0.461	1581	1.769	6.909	160.6	130.7	7.595	1.324	0.649	1.368	1	99.68	
Jepen	60	325.7	62.39		15.82	6.699		17.75	69.32	1811	1311	77.20	13.28	6.515	13.73	10.03		8.280
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Sep Dec Mar WORLD MONEY	0.7508 0.7540 DINTER	0.7530 0.7543 0.7558	+0.0023 +0.0023	0.7535 0.7540 0.7558	0.75		49547 1	5,567	Sep Dec Mar	trans ma	.5356 .5340 SNTH ER	1.5364 1.5388 1.5294 UNCOLATO	+0.0018 +0.0006 +0.0004 CFUTURE	1.537( 1.536)	) 1.5 ) DM1m	n points	744 1 at 100% Est. vol	2,317 197 Open in
Sap Dec Mar WORLI MONEY September	0.7508 0.7540 D [NTE] RATES	0,7530 0,7543 0,7558 REST 6	+0.0023 +0.0023 ATES	0.7535 0.7540 0.7558	0.75 0.75 One year	Lomb inter.	49547	5,567 60 Repo	Sep Dec Mar	trans mo	.5356 .5340 ONTH EI	1.5384 1.5388 1.5294 UMONEARM Sett price 95.01	+0.0018 +0.0006 +0.0004 C FUTUNE Change -0.03	1.537( 1.536) 1.536 1.536 1.536 1.536 1.536	7 DM1m	n points	744 1 of 100% Est. vol 17492	2,317 197 Open in 140424
Sep Dec Mar WORLI MONEY September	0.7508 0.7540 	0,7530 0,7543 0,7558 0,7558 or One hi month	+0.0023 +0.0023 *ATES Three	0.7535 0.7540 0.7558 Six miths	One year	Lomb inter.	49547 1 Dis. rate 4.50	5,567 60 Repo	Sep Dec Mar Sep Dec	tress mc	0,5356 ,5340 ONTH ER Open 95.05 94.39	1.5364 1.5388 1.5294 Uncesare Sett price 95.01 94.84	+0.0018 +0.0006 +0.0004 CFUTUNE Charge -0.03 -0.04	1.537/ 1.5358 1.5358 1.5358 1.5358 1.5358 1.5358 1.5358 1.5358	9 DM1m	n points	744 1 of 100% Est. vol 17492 27573	2,317 197 Open in 140424 160941
Sep Dec Mar WORET MONEY September September veck ago	0.7508 0.7540 D INTEL PATES 1 Owner	0,7530 0,7543 0,7558 1951 6	+0.0023 +0.0023 +0.0023 Three miths	0.7535 0.7540 0.7588 8bx miles 5% 8	One year 6% 8%	Lomb inter. 7.40 7.40	49547 1 Dis. rote 4.50 4.50	Reporate	Sep Dec Mar Sep Dec Mer	trans mo	090TH EI Open 95.05 94.38	1.5364 1.5398 1.5294 UnionsAre Sett price 95.01 94.84 94.55	+0.0018 +0.0004 +0.0004 CFUTUNE Change -0.03 -0.04 -0.04	1.537/ 1.5359 1.5359 High 96.06 94.89 94.80	9° DM1m Lo 95,4	n points ow ( .00 .83	744 1 of 100% Est. vol 17492 27573 18863	2,317 197 Open in 140424 160941 156401
Sep Dec Mar  WORLI  MONEY September  veck ago Prance	0.7508 0.7540 DINTES RATES 1 Ownigs	0,7530 0,7543 0,7558 0,7558 FIST C	+0.0023 +0.0023 Three maths 5% 5%	0.7535 0.7540 0.7558 8bx mths 5% 8	One year 6% 8% 6%	Lomb inter. 7.40 7.40 5.00	49547 1 Dis. rate 4.50 4.50	5,567 60 Reporate	Sep Dec Mar Sep Dec Mer Jun	trous mc	.5356 .5340 .5340 Open 05.05 94.58 94.58 94.27	1.5364 1.5398 1.5294 UnionsAre Set price 95.01 94.84 94.55 94.23	+0.0018 +0.0004 +0.0004 CFUTUNE Change -0.03 -0.04 -0.04 -0.05	1.5370 1.5350 1.5350 High 96.06 94.89 94.80 94.28	9° DM1m	n points ow ( .00 .83 .53	744 1 of 100% Est. vol 17492 27573 16093 16397	2,317 197 Open in 140424 160941 156401
Sep Dec Mar WORLE MIONEY September Vetok ago France wook ago	0.7508 0.7540 0.7540 PATES 1 Owned 44 44 5	0.7530 0.7543 0.7558 0.7558 or One hi month	+0.0023 +0.0023 Three maths 5% 5% 5%	0.7535 0.7540 0.7558 8bx mins 5% 8 5%	One year 6% 6% 64	Lomb (nior. 7.40 5.00 5.00	49547 1 Dis. rate 4.50 4.50	5,567 60 Reporate - 6,75 6,75	Sep Dec Mar Sep Dec Mer Jun	1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	.5356 .5340 .5340 Open 05.05 94.58 94.58 94.58	1.5364 1.5338 1.5294 UMONEATH Sett price 95.01 94.55 94.25 UROLURA	+0.0018 +0.0004 +0.0004 C FUTUNE Change -0.03 -0.04 -0.05 RNT.RATE	1.537/ 1.535/ 1.535/ 88 (LFFE High 96.06 94.80 94.80 94.28	7 DM1m Lo 95, 94, 94, 94,	n points. ow ( 00 63 53 20 FB, L100	744 1 of 100% Est. vol 17492 27573 16083 16387	2,317 197 Open in 140424 160941 156401
Sep Dec Mar WORLE MONEY September Belglum week ago Sysnes	0.7508 0.7540 DINTES RATES 1 Ownigs	0.7530 0.7543 0.7558 0.7558 0.7558 0.7558 0.7558 0.7558 0.7554 0.7558 0.7558 0.7558 0.7558 0.7558 0.7558	+0.0023 +0.0023 Three miths 5% 5% 5% 4.95	0.7535 0.7540 0.7558 8bx mths 5% 8	One year 6% 8% 6%	Lomb inter. 7.40 7.40 5.00	49547 1 Dis. rate 4.50 4.50	5,567 60 Reporate	Sep Dec Mar Sep Dec Mer Jun	1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	.5356 .5340 .5340 .5340 .506 .506 .94.58 .94.58 .94.27 .0NTH IR	1.5364 1.5398 1.5294 UnionsAre Set price 95.01 94.84 94.55 94.23	+0.0018 +0.0004 +0.0004 CFUTUNE Change -0.03 -0.04 -0.04 -0.05	1.5370 1.5350 1.5350 High 96.06 94.89 94.80 94.28	9° DM1m	n points. ow ( 00 63 53 20 FB, L100	744 1 of 100% Est. vol 17492 27573 16083 16397 Om points	2,317 197 Open in 140424 166401 100133 a of 1009
Sep Dec Mar WORE MONEY September veck ago France wook ago Garmeny	0.7508 0.7540 PATES 1 Own no.	0.7530 0.7543 0.7558 3 SS 1 G ar One hi month 76 54 4 55/ 4 55/ 4 55/ 6 4.95 10 4.95	+0.0023 +0.0023 Three maths 5% 5% 5% 4.95	0.7535 0.7540 0.7558 8kx miths 5% 8 53, 6% 5.02	One year 6% 64 5.33	Lomb inter. 7.40 7.40 5.00 6.00	49547 1 Dis. rate 4.50 4.50	5,567 80 Reporate 	Sep Dec Mar Til	TOTAL MAC	080TH IS 080TH IS 090TH IS 0905 94.58 94.58 94.57 080TH IS 090TH IS	1.5364 1.5338 1.5294 Uncesame Set price 95.01 94.84 94.55 94.25 94.25 94.27	+0.0018 +0.0004 +0.0004 C FUTURU Change -0.03 -0.04 -0.04 -0.05 RTT_RATE	1.5370 1.5350 High 96.06 94.89 94.85 94.85 FUTUM High 91.18	9° DM1m i.o 95,4 94,5 94,5 94,5 94,5 1.o 91,1	00 63 53 53 20 CT 100 C	744 1 of 100% Est. vol 17492 27573 16093 16097 Itom points Est. vol 3119	Open in 140424 160941 156401 100133 of 1000 Open in
Sep Dec Mar MONEY September Sedgluen week ago Genneny week ago	0.7508 0.7540 D [NTE] FATES 1 Own 1 Mg 40 40 40 40 40 40 40 40 40 40 40 40 40	0.7530 0.7543 0.7558 2 One Mills month 7 54 4 55% 1 55% 1 55% 1 55% 1 55% 1 55%	+0.0023 +0.0023 Three miths 5% 5% 5% 4.95 6.8	0.7535 0.7540 0.7558 0.7558 0.7558 55% 55% 55% 55% 55% 55% 55% 55% 55%	One year 6% 6% 6.33 5.33	Lomb inter. 7.40 7.40 5.00 6.00	49547 1 Dis. rate 4.50 4.50	5,567 60 Reporate 	Sep Dec Mer Jun III TH	TOTAL MICHAEL	3356 .5340 .5340 .5340 .506 .65.05 .64.58 .6	1.5384 1.5398 1.5294 UMONEARN Sett price 95.01 94.55 94.25 94.25 94.05 94.05 94.05	+0.0018 +0.0006 +0.0004 Change -0.03 -0.04 -0.05 ERT_RATE	1.5370 1.5350 High 96.06 94.80 94.80 94.81 PUTUM High 91.18	7 DM1m ic 95,4 94, 94, 94, 95,6 96,0 91,0	n points ow 1 00 63 53 50 Fe) L100	744 1 1 61 100% Est. vol 17492 27573 16963 16963 16967 10m points Est. vol 3119 5372	Open in 140424 160941 156401 100133 a of 1009
Sep Dec Mar WORE MONEY September veck ago Garmeny week ago Iraland veck ago	0.7508 0.7540 D INTE: PATES 1 Own night 44 5 5 4.9 4.8	0.7530 0.7543 0.7559 3 One month 7 554 4 554 4 554 10 4.95 10 4.95 10 4.95	10,0023 10,0023 10,0023 10,0023 10,0023 10,0023 10,0023 10,0023 10,0023 10,0023 10,0023 10,0023 10,0023 10,0023	0.7535 0.7540 0.7558 Sbx miths 5% 8 5% 5.02 5.02 5.02	One year 6% 6% 6.33 7% 7% 102	Lomb inter. 7.40 7.40 5.00 6.00	49547 1 Dis. rate 4.50 4.50	5,567 60 Reporate 	Sep Dec Mer Jun III TH	STRING MAC	23356 23340 2007H 88 2009 24.58 24.58 24.27 2007H 88 21.05 21.05 21.05 28.57	1.5364 1.5338 1.5294 Uncourante Set price 95.01 94.25 94.23 UNCOURA Set price 91.07 96.05	+0.0018 +0.0006 +0.0004 Charge -0.03 -0.04 -0.05 RRT_RATE -0.01 -0.07	1.537(1.535) 1.535(1.535) 1.535(1.535) 1.535(1.535) 96.05 94.89 94.89 94.80 94.28 1 PUTUM 18gh 91.18 90.13 89.57	7 DM1m 95,4 94,94,94,1 96,99,1 98,000,000,000,000,000,000,000,000,000,0	n points n points 000 63 53 52 52 52 52 53 52 64 64 64	744 1 of 100% Est. vol 17492 27573 16093 16097 Xxm pokes Est. vol 3119 5372 961	2,317 197 197 197 140424 166941 156403 100133 a of 1001 22494 17788
Sep Dec Mar MONEY September veok ago Prance wook ago Garmeny week ago Inaland veok ago kally veok ago	0.7508 0.7540 0.7540 PATES 1 Own rigo 44 45 5 5 4.9 4.8 4.8 8 8 8	0,7530 0,7543 0,7543 0,7559 1,557 1,577 1,	+0.0023 +0.0023 Three maths 5% 5% 4.95 4.95 6å 6å 8å	0.7535 0.7540 0.7558 8bx mithe 5% 8 5% 5.02 5.00 64 93	One year 6% 64 5.33 7% 7% 103 103	Lomb inter. 7.40 7.40 5.00 6.00	49547 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	Flepo rate - 6.75 4.85 4.85 6.25 6.25	Sep Dec Mer Jun III TH	TRADE MAC	09077H ISI 09077H ISI 09077H ISI 09077H ISI 09077H ISI 09079H ISI 09079H ISI 09079H ISI	1.5384 1.5388 1.5294 UNCOMARIO Set price 95.01 94.55 94.55 94.55 94.50 96.05 99.07 96.05 89.03 80.13	+0.0018 +0.0006 +0.0004 Chenge -0.03 -0.04 -0.04 -0.05 Chenge -0.01 -0.06 -0.07 -0.06	1.537 1.535	9° DM1m Lo 95.4 94.9 94.9 95.0 91.1 90.9 90.9	320 - - - - - - - - - - - - - - - - - - -	744 1 1 27573 16967 1000 points 5372 961 485	2,817 197 197 16094 16694 16640 10013 a of 100 Open in 22494 35368 17768 13435
Sep Dec Mar WORE! MONEY September veek ago France wook ago Garmeny week ago Iraliand veek ago Rely veek ago Rely veek ago Rely veek ago	0.7508 0.7540 0.7540 PATES 1 Own 14 4.9 4.9 4.9 4.9 4.9 4.9 4.9 4.9 4.9 4.	0.7530 0.7543 0.7543 0.7539 ar One thi month w 544 4.55% 1.5	+0.0023 +0.0023 Three miths 5% 5% 5% 5% 4.95 64 84 84 4.99	0.7535 0.7540 0.7538 50x milita 57% 8 5.50 64 64 9% 9.55 9.55 9.55 9.55 9.55 9.55 9.55 9	One year 6% 8% 6% 6% 5.33 7% 103 5.42	Lomb inter. 7.40 7.40 5.00 6.00	49547 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	5,567 60 Reporte - 6,75 6,75 4,85 6,26 6,26 8,45	Sep Dec Mer Jun III TH	TRADE MAC	09077H ISI 09077H ISI 09077H ISI 09077H ISI 09077H ISI 09079H ISI 09079H ISI 09079H ISI	1.5364 1.5338 1.5294 Uncourante Set price 95.01 94.25 94.23 UNCOURA Set price 91.07 96.05	+0.0018 +0.0006 +0.0004 Chenge -0.03 -0.04 -0.04 -0.05 Chenge -0.01 -0.06 -0.07 -0.06	1.537 1.535	9° DM1m Lo 95.4 94.9 94.9 95.0 91.1 90.9 90.9	320 - - - - - - - - - - - - - - - - - - -	744 1 1 27573 16967 1000 points 5372 961 485	2,817 197 197 16094 16694 16640 10013 a of 100 Open in 22494 35368 17768 13435
Sep Doc Mar WORST MIONEY September veek ago Prance week ago garanny week ago trained veek ago Rafy veek ago Rafy veek ago Rafy veek ago Rafy veek ago Rafy veek ago Rafy veek ago	0.7508 0.7540 0.7540 0.7540 PATES 1 Own 14 4 4 4.8 4.8 4.8 4.8 4.8 4.8 4.8 4.8 4.	0.7530 0.7543 0.7543 0.7559 1.551 1.551 1.552 1.553 1.	+0.0023 +0.0023 Three miths 5% 5% 4.95 4.95 6å 6å 84 83 4.98	0.7535 0.7540 0.7558 8 5% 5% 5.02 5.02 5.02 5.02 5.02 5.02 5.03 5.12	One year 6% 6% 64 5.33 7% 7% 10\$ 5.42	Lomb inter. 7.40 5.00 5.00 6.00	4.50 4.50 4.50 4.50 7.50 7.50 5.26 8.26	5,567 60 Reporte - 6,75 6,75 4,85 6,26 6,26 8,45	Sep Dec Mer Jun III TH	TREE MC	0847H ISI 0847H ISI 094,58 94,58 94,27 087H ISI 09,97 94,58 94,27 087H ISI 09,97 89,18	1.5384 1.5388 1.5294 UNCOMARIO Set price 95.01 94.55 94.55 94.55 94.57 96.05 99.07 96.05 89.52 80.13	+0.0018 +0.0004 +0.0004 Charge -0.03 -0.04 -0.04 -0.04 -0.05 RRT_RATE -0.07 -0.05 -0.05	1.5371 1.5351 1.5351 1.5351 1.5351 1.5351 94.86 94.86 94.86 94.86 94.86 94.81 94.18 90.13 80.57 80.13	9 1.5 95.94J 94.3 94.3 94.3 94.3 99.3 99.3 99.3 99.3	320 n points 000 63 53 20 78 L100 78 L100 11 11 18 SF46	744 1 of 100% Est. vol 17492 27573 16963 16967 Xxrr polose Est. vol 3119 5372 961 485 m polose	2,817 197 197 140424 16094 15640 100133 a of 1009 Open in 22494 35398 13435 of 10096
Sep Dec Mar WORLE MONEY September Veek ago Praince Veek ago Iraland Veek ago Iraland Irala	0.7508 0.7540 0.7540 0.7540 1 Cm 10 A4 4 A5 5 5 4 A8 4 A8 4 A8 4 A8 3 A8 4 A8 3 A8 4 A8 4 A8 4 A8 4 A8 4 A8 4 A8 4 A8 4	0.7530 0.7543 0.7539 0.	+0.0023 +0.0023 	0.7535 0.7540 0.7538 8bc mithe 5% 8 5 5.00 9 6 6 9 9 9 9 9 1 1 5 1 2 4 1	One year 6% 6% 6% 6% 103 5.33 5.33 5.42 5.42 6.42	Lomb trier. 7.40 7.40 5.00 5.00 6.00 	4.50 4.50 4.50 4.50 7.50 5.26 8.25 3.50	5,567 60 Reporte - 6,75 6,75 4,85 6,26 6,26 8,45	Sep Dec Mer Jun III TH	SPRING MICHAEL	2,5356 2,5340 2,5340 2,535 2,5	1.5364 1.5338 1.5294 1.5294 1.5294 5ett price 95.01 94.23 94.23 94.23 94.05 99.07 90.07 90	+0.0018 +0.0006 +0.0004 Chenge -0.03 -0.04 -0.04 -0.05 Chenge -0.01 -0.06 -0.07 -0.06	1.5370 1.5350 1.	9 1.5 95,941 94,941 94,941 96,91.1 96,91.1 96,91.1 96,91.1	920 n points 00 63 53 50 10 10 10 10 10 10 10 10 10 1	744 1 of 100% Est. vol 17482 27573 19883 19893 100m points Est. vol 981 485 m points c Est. vol	2,517 197 197 14042/ 16694/ 15640/ 10013/ a of 100 Open in 22494 35368 13435 of 100% Open in
Sep Doc Mar  WORIET  MIONIEY September veek ago resined ago resine	0.7508 0.7540 0.7540 PATES 1 Own 14 4 4 4 4 4 4 4 4 8 8 8 8 8 8 8 8 8 8	0.7530 0.7543 0.7543 0.7559 av One ht month worth month % 544 4 55% 4 55% 8 55% 8 55% 8 55% 8 55% 8 495 9 49	+0.0023 +0.0023 +0.0023 Three miths 5% 5% 5% 4.95 4.95 68 68 68 84 83 4.98	0.7535 0.7540 0.7538 0.7538 5% 8 5% 5.00 64 5.00 64 5.11 5.12 49 49	One year 6% 6% 6% 6% 103 103 103 103 5.42 44 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4	Lomb inter. 7.40 5.00 5.00 6.00	4.50 4.50 4.50 4.50 4.50 5.26 5.25 5.25 5.25	5,567 60 Reporte - 6,75 6,75 4,85 6,26 6,26 8,45	Sop Dec Mar Jun 11 TH	CREATE MAC	00000000000000000000000000000000000000	1.5364 1.5338 1.5294 Unicossans Sect price 95.01 94.24 94.25 94.23 UROLURA Sett price 91.07 96.05 80.52 80.5	+0.0018 +0.0004 +0.0004 +0.0004 CFUTURE -0.04 -0.04 -0.05 RTT_RATE -0.07 -0.05 EFEARC Change	1.5371 1.5350 1.5350 1.5350 1.5350 1.5350 94.89 94.89 94.89 94.80	9° DM1m 95.6 94.1 94.1 94.1 96.1 90.1 90.1 90.1 90.1 90.1 90.1 90.1 90	320 n points 000 68 53 20 TEL 100 04 46 11 15 SErice	744 1 1 17492 27573 19063 19063 1907 1907 1919 5372 981 485 m points of	2,517 197 Open ir 14042- 16094 15640- 10013- a of 100* Open in 22494 35368 17768 135368 17768 135368 1788 135368
Sep Dec Mar Sep Dec Mar Sep Dec Mar Sep Dec Mar Sep	0.7508 0.7540 0.7540 1 Own right 44 4.8 4.8 4.8 4.8 4.8 4.8 4.8 4.8 4.8 4	0.7530 0.7543 0.7543 0.7559 1EST 6 1	+0.0023 +0.0023 +0.0023 Three maths 5% 5% 4.95 6å 6å 6å 84 4.99 4.89 4.89 4.89 4.89	0.7535 0.7540 0.7558 8 5% 5% 5.02 5.02 5.02 5.11 5.11 5.11 5.12 435 445 445 445	One year 6% 6% 6% 6% 6% 103 5.33 5.42 5.42 48 48 48 5%	Lomb trier. 7.40 7.40 5.00 5.00 6.00 	4.50 4.50 4.50 4.50 4.50 4.50 4.50 4.50	5,567 60 Reporte - 6,75 6,75 4,85 6,26 6,26 8,45	Sep Dec Mar Jun 1781 Sep Dec Mar Jun 18 Thi	TREE MO	0907H III Open 94.58 94.58 94.58 94.58 94.58 94.58 94.58 94.58 94.58 94.58 94.58 94.58 94.58 94.58 96.57 89.18	1.5384 1.5388 1.5294 Unicesame Set price 95.01 94.94 94.25 94.25 94.25 1870CURA 91.07 96.05 99.05 99.13 1870CURA 95.81 95.81 95.81	+0.0018 +0.0006 +0.0004 C FUTURU Charge -0.04 -0.04 -0.05 RRT_RATE -0.05 -0.05 ERRANC Charge -0.05 -0.05	1.5371 1.5350 1.5350 1.5350 1.5350 94.86 94.86 94.86 94.86 94.86 94.86 91.18 90.13 80.57 80.18 80.57 80.18	9° DM1mm Lo 95.4 94.1 94.1 95.2 94.1 95.2 95.2 95.2 95.2 95.3	000 100 100 100 100 100 100 100 100 100	744 1 1 6 100% Est. vol 17482 27573 16963 16967 Non points Est. vol 3119 6372 961 465 m points Est. vol 1734 985	2,517 197 14042-16094 15640-100133 of 1000 Open in 22494 35366 13435 of 100% Open in 18438 14348
Sep Doc Mar WORE! MONEY September veok ago vook ago Gartneny week ago reland veok ago kely vook ago wook ago wook ago wook ago wook ago wook ago wook ago wook ago wook ago	0.7508 0.7540 0.7540 1 CM 12 CM 14 A 4 A 5 5 4 A 8	0.7530 0.7543 0.7543 0.7539 1 ST 6 1	+0.0023 +0.0023 +0.0023 Three miths 5½ 5¼ 5¼ 4.95 6å 6å 83, 94 4.99 4.98 4.99 4.98 4.94 4.94 4.94 4	0.7535 0.7540 0.7538 0.7538 5% 8 5% 5.00 64 64 9% 9% 9% 9% 4% 5.11 5.12 4% 5.4	0.75 0.77 0.77 0.77 6% 6% 6% 6% 6.8 5.33 7% 103 103 103 103 5.42 5.42 48 5.42 5.42	Lomb trier. 7.40 7.40 5.00 5.00 6.00 	4.50 4.50 4.50 4.50 4.50 7.50 7.50 7.52 8.25 8.25 9.350 4.00	5,567 60 Reporte - 6,75 6,75 4,85 6,26 6,26 8,45	Sep Dec Mer Jun III TH Sep Dec Mer The Sep De	SPRINE MICHAEL	25386 25340	1.5364 1.5338 1.5294 1.5294 1.5294 1.5294 1.5294 1.5294 1.5494 1.	+0.0018 +0.0004 +0.0004 +0.0004 CFUTUNE Change -0.04 -0.05 RTT_RATE -0.07 -0.07 -0.07 -0.07 -0.07 -0.07 -0.04 -0.07 -0.07 -0.04 -0.05	1.5371 1.5350 1.	9 1.5 94.9 94.9 94.9 94.9 94.9 95.9 96.9 96.9 96.9 96.9 96.9 96.9 96	320 n points 00 68 58 58 20 10 10 11 11 13 15 16 17 18 18 18 19 10 10 10 10 10 10 10 10 10 10	744 1 1 17492 27573 16963 16967 10m points 5372 961 465 m points ( 547 465 m points ( 547 m points ( 54	2,317 197 14042-16094 15640-10013 a of 100 Open ir 22494 35366 17785 of 100% Open ir 18518 14388 11803
Sep Doc Mar WORE! MONEY September veok ago vook ago Gartneny week ago reland veok ago kely vook ago wook ago wook ago wook ago wook ago wook ago wook ago wook ago wook ago	0.7508 0.7540 0.7540 1 Own right 44 4.8 4.8 4.8 4.8 4.8 4.8 4.8 4.8 4.8 4	0.7530 0.7543 0.7543 0.7559 1EST 6 1	+0.0023 +0.0023 +0.0023 Three miths 5½ 5¼ 5¼ 4.95 6å 6å 83 94 4.99 4.98 4.99 4.98 4.99 4.98	0.7535 0.7540 0.7558 8 5% 5% 5.02 5.02 5.02 5.11 5.11 5.11 5.12 435 445 445 445	One year 6% 6% 6% 5.33 5.33 5.42 40 40 5.42 5.42 5.42 5.42 5.42 5.42 5.42 5.42	Lomb trier. 7.40 7.40 5.00 5.00 6.00 	4.50 4.50 4.50 4.50 4.50 4.50 4.50 4.50	5,567 60 Reporte - 6,75 6,75 4,85 6,26 6,26 8,45	Sep Dec Mer Jun 1781 Sep Dec Mer Jun 1878 Sep Dec Mer Jun 1878	CPOLICE MACCO	00000000000000000000000000000000000000	1.5364 1.5388 1.5294 1.5294 1.5294 1.5294 1.5294 1.5294 1.5494 1.57 1.57 1.57 1.50 1.50 1.50 1.50 1.50 1.50 1.50 1.50	+0.0018 +0.0004 +0.0004 +0.0004 -0.004 -0.04 -0.05 -0.07 -0.07 -0.06 EPEANC Change -0.07 -0.06 -0.06 -0.06 -0.07 -0.06 -0.06 -0.07 -0.06 -0.06 -0.06 -0.06 -0.06 -0.07 -0.06 -	1.5371 1.5351 1.	9 1.5 9 DM1mm 94.3 94.3 94.3 94.3 95.4 96.2 96.2 96.2 96.2 96.2 96.2 96.2 96.2	7 points 7 p	744 1 1 6 100% Est. vol 17482 27573 16963 16967 Non points Est. vol 3119 6372 961 465 m points Est. vol 1734 985	2,817 197 14942 16094 15640 10013 a of 100 Open is 13485 of 10096 Open is 18518
Sep Doc Mar  WORIEI  MIONEY September September veok ago prance wook ago kashy veok ago	0.7508 0.7540 0.7540 1 CM 1 CM 1 CM 1 CM 1 CM 1 CM 1 CM 1 CM	0.7530 0.7543 0.7543 0.7539 1 ST 6 1	+0.0023 +0.0023 +0.0023 Three mins 5½ 5½ 5½ 4.95 6å 84 4.95 4.95 4.95 4.95 4.95 4.95 4.95 4.9	0.7535 0.7540 0.7538 576 576 576 5.00 64 5.00 64 5.11 5.11 5.11 5.11 5.11 5.11 5.11 5.1	0.70 0.77 0.77 0.77 6% 6% 64 5.33 7% 104 104 104 48 48 542 48 542 48 28 28	Lomb trier. 7.40 7.40 5.00 5.00 6.00 	4.50 4.50 4.50 4.50 7.50 7.50 5.25 3.50 3.50 4.00 4.00 4.00	5,567 60 Repo rate - 6,75 6.75 4.85 6.26 6.26 8.45 8.45	Sep Dec Mer Jun 1781 Sep Dec Mer Jun 1878 Sep Dec Mer Jun 1878	CREATE MICH.	00000000000000000000000000000000000000	1.5364 1.5338 1.5294 1.5294 1.5294 1.5294 1.5294 1.5294 1.5494 1.	+0.0018 +0.0004 +0.0004 +0.0004 -0.004 -0.04 -0.05 -0.07 -0.07 -0.06 EPEANC Change -0.07 -0.06 -0.06 -0.06 -0.07 -0.06 -0.06 -0.07 -0.06 -0.06 -0.06 -0.06 -0.07 -0.06 -	1.5371 1.5351 1.	9 1.5 9 DM1mm 94.3 94.3 94.3 94.3 95.4 96.2 96.2 96.2 96.2 96.2 96.2 96.2 96.2	700 points on po	744 1 1 17492 27573 19963 19967 1000 points Est. voi 3119 6372 981 485 485 485 485 1020 1734 3808 1020 574	2,317 197 14042 16094 15640 10013 of 100 Open is 22494 35362 17766 13435 of 100 Open is 14348 11803 5772
Sep Dec Mar  WORET  MONEY September veck ago France wook ago Rahy veck ago Rahy veck ago Rahy veck ago Witherlends wook ago Jepan veck ago Jepan veck ago Jepan veck ago	0.7508 0.7540 0.7540 1 CM 1 CM 1 CM 1 CM 1 CM 1 CM 1 CM 1 CM	0.7530 0.7543 0.7543 0.7559 av One of the month of the mo	+0.0023 +0.0023 +0.0023 Three miths 5% 5% 5% 4.95 4.95 4.95 4.95 4.95 4.96 4.96 4.96 4.96 4.96 4.96 4.96 5% 5% 5% 5% 5% 5% 5% 5% 5% 5% 5% 5% 5%	0.7535 0.7540 0.7538 0.7538 5% 5% 5% 5.00 64 5.11 5.12 45 45 45 45 45 45 45 45 45 45 45 45 45	One year 6% 6% 6% 6% 6% 10% 5.33 5.33 5.34 10% 5.42 48 5% 5.42 5% 5.42 5% 5.42 5% 5% 5.42 5% 5% 5% 5% 5% 5% 5% 5% 5% 5% 5% 5% 5%	Lomb trier. 7.40 7.40 5.00 5.00 6.00 	4.50 4.50 4.50 4.50 7.50 7.50 5.25 3.50 3.50 4.00 4.00 4.00	5,567 60 Repo rate - 6,75 6.75 4.85 6.26 6.26 8.45 8.45	Sep Dec Mer Jun B TH Sep Dec Mer Jun B TH TH	SPENSE MAC	000000 000000 000000 000000 000000 00000	1.5364 1.5388 1.5294 1.5294 1.5294 1.5294 1.5294 1.5394 1.5494 1.5594 1.5796 1.0796 1.	+0.0018 +0.0004 +0.0004 +0.0004 -0.004 -0.04 -0.05 -0.07 -0.07 -0.06 -0.07 -0.06 -0.07 -0.08 -0.09 -0.00 -0.00 -0.00 -0.00 -0.00 -0.00 -0.00 -0.00 -0.00 -0.00 -0.00 -0.	1.5371 1.5350 1.5350 1.5350 1.5350 94.83 94.83 94.83 94.83 94.83 89.137 89.137 89.137 89.138 95.36 95.36 95.36 95.36 95.36 95.18	9 1.5 94.3 94.3 94.3 94.3 94.3 94.3 95.3 95.3 95.3 95.3 95.3 95.3 95.3 95	7 points 7 p	744 1 1 17492 27573 19903 19903 19909 1997 1997 495 m points ( Est. vol 1734 9808 1020 574	2,517 197 Cpen k 14042 16034 15603 16003 16003 16003 17788 13435 17788 14348 11803 5772 Cpen in
Sep Dec Mar  WORIST  MONEY September  Selglum week ago Prance wook ago Garramy week ago Iraland veek ago Iraland veek ago Netherlende wook ago Switcurland week ago US wook ago Jagaan	0.7508 0.7540 0.7540 1 CM 1 CM 1 CM 1 CM 1 CM 1 CM 1 CM 1 CM	0.7530 0.7543 0.7543 0.7539 1 ST 6 1	+0.0023 +0.0023 +0.0023 Three miths 5% 5% 5% 4.95 4.95 4.95 4.95 4.95 4.95 4.95 4.95	0.7535 0.7540 0.7538 576 576 576 5.00 64 5.00 64 5.11 5.11 5.11 5.11 5.11 5.11 5.11 5.1	0.70 0.77 0.77 0.77 6% 6% 64 5.33 7% 104 104 104 48 48 542 48 542 48 28 28	Lomb trier. 7.40 7.40 5.00 5.00 6.00 	4.50 4.50 4.50 4.50 7.50 7.50 5.25 3.50 3.50 4.00 4.00 4.00	5,567 60 Reportise 	Sep Dec Mer Jun III TH	SPRINE MICHAEL	1.5386 1.5340 1.5340 Open 95.05 94.58 94.57 0MTH III Open 95.57 99.09 89.18 00.09 89.57 89.18 00.09 89.57 89.18 00.09 89.57 89.18 00.09 89.57 89.18 00.09 89.57 89.58 00.09	1.5364 1.5338 1.5294 1.5294 1.5294 1.5294 1.5294 1.5294 1.5294 1.5394 1.	+0.0018 +0.0004 +0.0004 +0.0004 -0.004 -0.04 -0.05 -0.07 -0.07 -0.06 -0.07 -0.06 -0.07 -0.08 -0.09 -0.00 -0.00 -0.00 -0.00 -0.00 -0.00 -0.00 -0.00 -0.00 -0.00 -0.00 -0.	1.5371 1.5350 1.	9 1.5 9 DM1mm 95,4 94,1 94,1 95,1 96,1 95,1 95,1 95,1 95,1 95,1 95,1 95,1 95	n points n points 0.00 68 58 20 58 11 11 18 11 18 11 18 11 11 1	744 1 1 17492 27573 16967 1000 points 5372 961 485 m points 5372 961 1734 5806 1020 574	2,317 197 14042 16034 15640 15640 15003 a of 100 Open in 22454 35366 17768 of 1009 Open in 18518 143485 of 1009 of 1009
Sep Dec Mar  WORIGI  MONEY September Verice	0.7508 0.7540 0.7540 0.7540 1 0 mig 44 44 45 5 5 4.8 4.8 4.8 4.8 4.8 4.8 4.8 4.8 4.8 4.8	0.7530 0.7543 0.7543 0.7559 av One of the month of the mo	+0.0023 +0.0023 +0.0023 Three miths 5% 5% 5% 4.95 4.95 4.95 4.98 4.88 4.84 4.84 2% 2%	0.7535 0.7540 0.7538 0.7538 5% 5% 5% 5.00 64 5.11 5.12 45 45 45 45 45 45 45 45 45 45 45 45 45	One year 6% 6% 6% 6% 6% 10% 5.33 5.33 5.34 10% 5.42 48 5% 5.42 5% 5.42 5% 5.42 5% 5% 5.42 5% 5% 5% 5% 5% 5% 5% 5% 5% 5% 5% 5% 5%	Lomb trier. 7.40 7.40 5.00 5.00 6.00 	4.50 4.50 4.50 4.50 7.50 7.50 5.25 3.50 3.50 4.00 4.00 4.00	5,567 60 Repo rate - 6,75 6,75 4,85 6,26 6,25 6,25 8,45 8,45	Sep Dec Mar Jun 18 TH Sep Dec	SPRINE MICHAEL	00000000000000000000000000000000000000	1.5364 1.5388 1.5294 1.5294 1.5294 1.5294 1.5294 1.5294 1.5494 1.	+0.0018 +0.0004 +0.0004 +0.0004 -0.001 -0.04 -0.05 -0.07 -0.06 -0.07 -0.06 -0.07 -0.08 -0.09 -0.	1.5371 1.5351 1.5351 1.5351 1.5351 1.5351 94.83 94.83 94.83 1.18 90.13 80.57 89.18 91.18 95.36 95.36 95.36 95.36 95.36 95.36 95.36 95.36 95.36 95.36 95.36 95.36 95.36 95.36 95.36 95.36	7 DM1mm Lo 95.4 94.1 94.1 95.1 95.1 95.2 95.2 95.2 95.2 95.3 95.3 95.3 95.3 95.3 95.3	700 points on po	744 1 1 61 100% 17492 27573 19683 19683 19685 18372 981 485 8872 981 485 8872 981 485 877 981 485 877 981 485 877 877	2,817 197 14042-16094; 15840; 10013: a of 100 Open in 22494 35368 17768 13435 57 1009 in 18518 14348 11808 5772 Open in 9334 7375
Sap Dec Mar  WORLE  MONEY  MONEY  September  Selglum veek ago lrafand veek ago lrafand veek ago Netherlands veek ago Netherlands veek ago Japan veek ago II S II SEOR I Interbenk Rgo US Doller C	0.7508 0.7540 0.7540 0.7540 1 0 mig 44 44 45 5 5 4.8 4.8 4.8 4.8 4.8 4.8 4.8 4.8 4.8 4.8	0.7530 0.7543 0.7543 0.7559 1EST 6 1	+0.0023 +0.0023 +0.0023 Tireo mins 5½ 5½ 5½ 4.95 6å 6å 84 4.95 4.98 4.98 4.94 4.94 4.95 4.95 4.95 4.95 4.95 4.95	0.7535 0.7540 0.7538 0.7538 5% 5 8 5 8 5 5 9 6 4 6 4 9 9 8 11 5 11 5 12 4 12 4 12 4 12 5 4 12 5 4 12 5 4 12 5 4 12 5 4 12 5 5 6 12 5 6	0.77 0.77 0.77 0.77 0.77 6% 6% 6% 6.3 5.3 77% 10.3 10.3 10.3 10.3 10.3 10.3 10.3 10.3	Lomb trier. 7.40 7.40 5.00 5.00 6.00 	4.50 4.50 4.50 4.50 7.50 7.50 5.25 3.50 3.50 4.00 4.00 4.00	5,567 60 Repo rate - 6,75 6,75 4,85 6,26 6,25 6,25 8,45 8,45	Sep Dec Mer Jun III TH	GRADE MCC	1.5386 1.5340 1.5340 000TH SR Open 94.58 94.58 94.57 000TH SR 000TH SR 000T	1.5364 1.5388 1.5294 1.5388 1.5294 1.	+0.0018 +0.0006 +0.0004 +0.0004 -0.04 -0.05 -0.05 RRT_RATE -0.06 -0.07 -0.06 -0.07 -0.06 -0.07 -0.06 -0.07 -0.06 -0.07 -0.06 -0.07 -0.08 -0.07 -0.08 -0.09 -	1.5371 1.5351 1.	9" DM1mm 95.4 94.1 95.4 96.1 96.1 96.1 96.1 96.1 96.1 96.1 96.1	n points n points 000 83 20 100 100 111 123 127 100 100 100 100 100 100 100 10	744 1 1 61 100% Est. vol 17482 27573 16963 16967 Dan points Est. vol 951 485 m points 1734 3608 1020 574	2,317 197 14042 16094 16094 10013 a of 100 Open in 12485 bit 10096 Open in 18518 11803 5772 Open in 9334 7375 4198
Sap Dec Mar  WORET  MONEY September  Selglum week ago France wook ago Rally week ago kelterinde wook ago Selfceriend wook ago Selfceriend wook ago Selfceriend wook ago Ispan wook ago Ispan wook ago Ispan wook ago Ispan wook ago US US US WESOR I Interbenk FE week ago US Deleve Ago	0.7508 0.7540 0.7540 0.7540 1 Own high 44 4.5 5.5 4.9 4.8 4.8 4.8 4.8 4.8 4.8 4.8 4.9 4.9 4.9 4.9 4.9 4.9 4.9 4.9 4.9 4.9	0.7530 0.7543 0.7543 0.7559 1.551 1.	+0.0023 +0.0023 +0.0023 	0.7535 0.7540 0.7558 8 5% 5% 5.02 5.02 5.02 5.11 5.12 41/2 41/2 41/2 41/2 41/2 41/2 41/2 41	One year 6% 6% 6% 6% 6% 6% 6% 6% 6% 6% 6% 6% 6%	Lomb trier. 7.40 7.40 5.00 5.00 6.00 	4.50 4.50 4.50 4.50 7.50 7.50 5.25 3.50 3.50 4.00 4.00 4.00	5,567 60 Repo rate - 6,75 6,75 4,85 6,26 6,25 6,25 8,45 8,45	Sep Dec Mar Jun III TH	SPRINE MICHAEL	25386 1.5340 25340	1.5364 1.5338 1.5294 1.5294 1.5294 1.5294 1.5294 1.5294 1.5294 1.5394 1.	+0.0018 +0.0004 +0.0004 +0.0004 -0.001 -0.04 -0.05 -0.07 -0.06 -0.07 -0.06 -0.07 -0.08 -0.09 -0.	1.5371 1.5351 1.5351 1.5351 1.5351 1.5351 94.83 94.83 94.83 1.18 90.13 80.57 89.18 91.18 95.36 95.36 95.36 95.36 95.36 95.36 95.36 95.36 95.36 95.36 95.36 95.36 95.36 95.36 95.36 95.36	7 DM1mm Lo 95.4 94.1 94.1 95.1 95.1 95.2 95.2 95.2 95.2 95.3 95.3 95.3 95.3 95.3 95.3	n points n points 000 83 20 100 100 111 123 127 100 100 100 100 100 100 100 10	744 1 1 61 100% 17492 27573 19683 19683 19685 18372 981 485 8872 981 485 8872 981 485 877 981 485 877 981 485 877 877	2,311 197 14042 16094 15640 10013 a of 100 Open is 22499 17786 11445 11450 11450 11450 1150 1150 1150
Sap Dec Mar  WORLE  MONEY  MONEY  September  Selglum veek ago lrafand veek ago lrafand veek ago Netherlands veek ago Netherlands veek ago Japan veek ago II S II SEOR I Interbenk Rgo US Doller C	0.7508 0.7540 0.7540 0.7540 1 Own high 44 4.5 5.5 4.9 4.8 4.8 4.8 4.8 4.8 4.8 4.8 4.9 4.9 4.9 4.9 4.9 4.9 4.9 4.9 4.9 4.9	0.7530 0.7543 0.7543 0.7539 av One of the month of the mo	+0.0023 +0.0023 +0.0023 Three miths 5% 5% 5% 4.95 4.95 4.96 4.96 4.94 4.96 4.96 4.96 4.96 4.96	0.7535 0.7540 0.7558 0.7558 5% 5% 5.00 64 64 5.12 44,54 54,54 54,54 54,54 54,54 54,54 54,54 54,54 54,54 54,54 55,6	0.75 0.77 0.77 0.77 6% 6% 6% 6% 6% 6% 6% 6% 6% 6% 6% 6% 6%	Lomb trier. 7.40 7.40 5.00 5.00 6.00 	4.50 4.50 4.50 4.50 7.50 7.50 5.25 3.50 3.50 4.00 4.00 4.00	5,567 60 Repo rate - 6,75 6,75 4,85 6,26 6,25 6,25 8,45 8,45	Sep Dec Mar Jun III TH	GRADE MCC	25386 1.5340 25340	1.5364 1.5338 1.5294 1.5294 1.5294 1.5294 1.5294 1.5294 1.5294 1.5394 1.	+0.0018 +0.0006 +0.0004 +0.0004 -0.04 -0.05 -0.05 RRT_RATE -0.06 -0.07 -0.06 -0.07 -0.06 -0.07 -0.06 -0.07 -0.06 -0.07 -0.06 -0.07 -0.08 -0.07 -0.08 -0.09 -	1.5371 1.5351 1.	9" DM1mm 95.4 94.1 95.4 96.1 96.1 96.1 96.1 96.1 96.1 96.1 96.1	n points n points 000 83 20 100 100 111 123 127 100 100 100 100 100 100 100 10	744 1 1 61 100% Est. vol 17482 27573 16963 16967 Dan points Est. vol 951 485 m points 1734 3608 1020 574	2,317 197 14042 16094 16094 10013 a of 100 Open is 13485 bit 10096 Open is 18518 11803 5772 Open is

Strike		CA	118			PUTS -	
Price	Se			Nov	Sep	Oct	Nov
1.450	B.4	•	39	8.43			0.11
1.475	5.9		08	6.24	-	0.11	0.38
1.500	3.5			4.28	0.04	0.45	0.89
1.525	1.5			2.67	0.44	1.18	1.76
1.575	0.0			1.55 0.80	1.75 3.84	. 2.48 4.27	3.02 4.74
	y's vol. Calls						
				.,,			
UK II	NTERES	T RAT	ES				
LOND	ON MO	KEY RA	TES				
Sep 1		Over-	7 days	One	15x00	Sbc	One,,
		night	notice	month	months	months	year
Interbenk Storling CO		5 - 34	44 - 43	5 4	5 <sup>1</sup> 2 - 5 <sup>3</sup> 1 5 <sup>1</sup> 6 - 5 <sup>3</sup> 1	6 5%	67 - 64
Treasury B		-	-	44 42	54 54	214 - 24	685 - 633
Bank Sile				44 - 412	53 - 53	55 - 53	
Local auth		44 - 44	偿-49	412 - 47	5班 - 5班	5億 - 5億	6日 - 6日
Olecount N	Aurient deps	5te - 4te	44 - 45		-	-	-
UK clearing	g bank base	landing sub	5k per o	aut from Fel	bruary 6, 19	<b>04</b> .	٠.
			Up to 1	1-3	3-6	6-9	9-12
			month	manth	months	admon	PACHTINS.
Certs of To	ex dep. (£10	0,000	11/2	4	3%	3%	31/2
period July Aug 1, 1994	30, 1994 to A	up 31, 1994,	Schemes IV	■ V 8.578pc.	tor cash Japo port Phanes. emes 8 & 18 6 Pitanca Hou	ee State Pate	Signe from
	30, 1984 to A						
			<u>FUTURIES</u>				
	HONTH &	Sett price	rtrun <b>as</b>	(LIFFE) 25	00,000 pole	ts of 100%	
Sep Dec	Open 94.29 93.41	Sett price 94.30 93.43	Change +0.03 +0.03	(LIFFE) 25 High 94.32 93.47	00,000 pok Low 94.28 93.41	Est. vol 7540 15781	Open int. 58257 164223
Sep Dec Mar	Open 94,29 93,41 92,72	Sett price 94.30 93.43 92.74	Change +0.03 +0.03 +0.03	(LIFFE) 25 High 94.32 93.47 92.76	00,000 pole Low 94.28 93.41 92.72	Est. vol 7540 15781 7305	Open int. 88267 164223 87927
Sep Dec Mer Jun	Open 94.29 93.41	Sett price 94.30 93.43 92.74 92.21	FUTURIES Change +0.03 +0.03 +0.03 +0.03	(LIFFE) 25 High 94.32 93.47 92.76 92.23	00,000 pok Low 94.28 93.41	Est. vol 7540 15781	Open int. 58257 164223
Sep Dec Mer Jun	Open 94,28 93,41 92,72 92,20	Sett price 94.30 93.43 92.74 92.21	FUTURIES Change +0.03 +0.03 +0.03 +0.03	(LIFFE) 25 High 94.32 93.47 92.76 92.23	00,000 pole Low 94.28 93.41 92.72	Est. vol 7540 15781 7305	Open int. 58257 164223 87927
Sep THERES	Open 94,28 93,41 92,72 92,20	Sett price 94.30 93.43 92.74 92.21 phorest Age	Change +0.03 +0.03 +0.03 +0.03 +0.03	(LIFFE) 253   High   94,32   93,47   92,76   92,23   House day.	20,000 poin Low 94.28 93.41 92.72 82.16	Est. vol 7540 15781 7305 2648	Open int. 88267 164223 87927
Sep Dec Mar Jun Traded on /	Open 94.28 93.41 92.72 92.20 APT. All Open	Sett price 94.30 93.43 92.43 92.21 phorest ligar	Change +0.03 +0.03 +0.03 +0.03 are for pre-	(LIFFE) 251 High 94.32 93.47 92.75 92.23 Would day.	00,000 pain Low 94.28 93.41 92.72 92.16	Est. vol 7540 15781 7305 2648	Open int. 88287 164223 67927 52887
Sep Dec Mar Jun Tracked on Jun Strike Price	Open 94,29 93,41 92,72 92,20 APT. Al Open	Sett price 94.30 93.43 92.74 92.21 phorest light	Change +0.03 +0.03 +0.03 . are for pre-	(LIFFE) 255 High 94.32 93.47 92.76 92.23 Wase day.	20,000 point Low 94.28 93.41 92.72 82.16	Est. vol 75781 75781 7305 2648	Open int. 88267 164223 87927 82867
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| Amo  | en Inc<br>actr Cp x0.0<br>Fin                             | 12 2700<br>2011297<br>6 14 2696<br>4 501               | x16 1538<br>541s 5314  |   | Electros Electros Emecon As Emelex Engylistes Enter Sea           | 10 Ti   | 017229 1<br>8 99<br>1214<br>9 813 1                             | 618 d5  | 7 174<br>4 64<br>% 94<br>4 134   | -3 <sub>0</sub>  | LiquiBas<br>Loewen S<br>Lone Star  | 0.40 18<br>0.40 18<br>0.06 20                           | 1853 4<br>6<br>454 2<br>2534   | 1914 2812 2514<br>141 <sub>2</sub> 431 <sub>2</sub> 44<br>35 341 <sub>4</sub> 35<br>151 <sub>8</sub> 247 <sub>9</sub> 25.05<br>151 <sub>4</sub> 391 <sub>4</sub> 401 <sub>4</sub>   | 112<br>00   | Schimbgr/<br>Sci Med L<br>SCI Systm                                      | 15 16   | 83 19 <sup>1</sup> 4<br>34 26 <sup>1</sup> 2<br>24 37 <sup>1</sup> 4<br>17 18 <sup>7</sup> 8                          | 161 <sub>2</sub> 161<br>29 261<br>361 <sub>2</sub> 301<br>181 <sub>2</sub> 187   | 2   |
| Andr   | yels 0.5<br>igel/en x1.0<br>rew Cp<br>ns Ac<br>yee En 0.3 | 2 15 16<br>0 11 91<br>27 3832<br>6 151<br>0 28 12      | 15% 15% 15<br>14 13½ 13<br>14 13½ 13<br>16½ 18 16<br>15 14% 14   | 强<br>选<br>基<br>基<br>基   | Enzym Isc<br>EquityOll<br>EricanB<br>Ethici<br>Evens Sth          | 0.16 1<br>0.4815                              | 2 816<br>8 347<br>1 2921 5                                      | 212 21<br>412 41<br>1412 5  | 4 21,<br>4 43<br>4 543<br>8 83   | -26<br>+4<br>+14   |  | 0.70 4  | 1455<br>43 3   | 4 3 <sup>1</sup> 4 4<br>12 <sup>1</sup> 8 32 <sup>1</sup> 8 32 <sup>1</sup> 2   |   | Scient Cp :<br>Score Brd<br>Scaffeld<br>Signer<br>SEI Co                 | 0.52 9 1  | 90 163 <sub>8</sub><br>01 43 <sub>8</sub><br>2 373 <sub>2</sub><br>58 24  |  | 7   |
| - Catha  | d Max<br>eC 0.40<br>ebess 0.0<br>r Dr 0.2                 | 4 26 720   | 50 47% 48<br>35% 34%<br>15% 14%<br>20% 19%   | 14 <sub>11</sub> -2 <sup>1</sup> / <sub>1</sub><br>35 -1/ <sub>1</sub><br>15<br>20  | Excipto Excellour Excellour Expedit I ExcerpAre                   | 0.16 2  | 7268 1  | 8% 162<br>7% 7<br>2% 21<br>0% 193   | 175<br>4 74<br>2 21<br>4 21  | -14  |  | 0.06 212<br>21<br>0.60 44<br>E x1.88 14                 | 306<br>117 1-<br>60 3  | 41 <sub>2</sub> 237 <sub>8</sub> 24<br>25 241 <sub>4</sub> 241 <sub>2</sub><br>41 <sub>4</sub> 141 <sub>6</sub> 141 <sub>6</sub><br>31 <sub>4</sub> 331 <sub>4</sub> 331 <sub>4</sub>   | .3  | Seibele B<br>Selections<br>Sequent<br>Sequola<br>Serv Tech               | 0.36 4<br>1.12 16<br>78 49<br>32 7                                | 50 2 <sup>1</sup> 8<br>50 28<br>39 17 <sup>1</sup> 4<br>44 5 <sup>5</sup> 8   | 178 24<br>2734 277   |   |
| Ango   | naut 1.10<br>or Afx 0.60<br>lid in 0.40<br>Bep            | 8 6 53<br>4 21 537                                     | 50 <sup>1</sup> 2 29 <sup>1</sup> 4 20<br>21 <sup>1</sup> 8 21 <sup>1</sup> 4 21<br>20 <sup>1</sup> 4 16 <sup>1</sup> 2 16   | 부 - 4<br> 14 - 15 - 14  | Fall Grp  | 11  |   | 5 43  | . 4  |  | Marcam (<br>Marcam (<br>Marine Dr  | 0.76 13<br>12<br>20 24<br>12                            | 337 2<br>108 1<br>187 1<br>817   | 5 44 44   | 14<br>14  | ServFract<br>Sevensori<br>ShrMed<br>SHL Systmi<br>Shorewood              | 34  | 50 1734<br>22 251 <sub>8</sub> :<br>15 55 <sub>8</sub><br>51 211 <sub>4</sub> :                                       | 24% 25%<br>5 5%<br>20% 20%   | 4 -1 -1 -1 -1 -1 -1 -1 -1 -1 -1 -1 -1 -1    |
| Asst Asst Asst Asst Asst Asst Asst Asst                    | cComm<br>Rurch<br>son<br>EAIr x 0.32                      | 283 97<br>8150094<br>13 61<br>2 20 2362                | 25 <sup>1</sup> 2 25 <sup>1</sup> 4 25<br>13 <sup>1</sup> 4 812 13<br>19 <sup>1</sup> 2 16 10  | 12 44 14 28 · 14  | Fasteral<br>Fifth Indi<br>Fifth Thrd<br>Fifty Off                 | 124 15  | 1401 3<br>5941 2<br>523<br>1379                                 | 7 <sup>1</sup> 4 26 <sup>1</sup><br>52 51 <sup>1</sup><br>5 <sup>1</sup> 2 5 <sup>1</sup>   | 2 38 <sup>3</sup> 4<br>26 <sup>3</sup> 4<br>2 51 <sup>3</sup> 4<br>5 <sup>3</sup> 4                            | 12 14 14   |  | 2<br>16<br>40.44 11                                     | 15<br>470<br>2 1<br>568 2  | 21 <sub>2</sub> 41  | 10.10   | Showbiz P<br>Sierra On<br>Sierra lec<br>SigmAl x<br>SigmaDes<br>SalcnVBc | 18 7<br>3 9<br>0.33 15 28<br>18 6                                 | 84 223 :<br>61 334 :<br>55 36 :<br>90 7 <sup>1</sup> 2  | 63 3<br>24 34 <sup>3</sup><br>8 <sup>7</sup> 8 7 <sup>1</sup> 2  | 3 -   |
| Auto:<br>Avon  |   | 16 66<br>2 18 502<br>- B                               | 3 <sup>1</sup> 2 2 <sup>2</sup> 3 3<br>7 8 <sup>5</sup> 8  | <sup>1</sup> 8 + <sup>1</sup> 4<br>7 + <sup>1</sup> 2   | Figgle A Filenet First Am First Collect FatCollect Fat Secty      | 0.84 (<br>x 1.00 11<br>0.80 21                | 1251 2<br>419 3<br>70 2<br>223                                  | 9 <sup>1</sup> 2 2<br>4 <sup>1</sup> 8 2<br>5 <sup>1</sup> 2 24 <sup>3</sup><br>24 23 <sup>1</sup>                                    | 235  | -1 <sub>8</sub>  | Mexim in<br>Mexim C;<br>McGrath (  | 45<br>6<br>8 844 12<br>0.48 15                          | 619 6<br>632 4<br>124 1  | 0 <sup>1</sup> 4 59 <sup>1</sup> 2 58 <sup>1</sup> 4<br>4 <sup>7</sup> 8 4 <sup>1</sup> 8 4 <sup>1</sup> 4<br>5 <sup>7</sup> 4 15 <sup>1</sup> 4 15 <sup>1</sup> 8<br>9 <sup>7</sup> 8 18 <sup>1</sup> 2 19 <sup>1</sup> 2  | 1 444   | SECTIVED   | 0.40 14 2<br>42, 4  | 91 13 <sup>1</sup> 4<br>57 12<br>55 30 <sup>1</sup> 2<br>23 13 <sup>3</sup> 68  | 124 13<br>112 114<br>504 354   | 3<br>4 +<br>3 -                             |
| Baker<br>Baker   | rJ 0.95   | 27 24<br>10 774<br>150<br>13 1196                      | 51 <sub>2</sub> 65<br>121 <sub>2</sub> 113, 11   | 352<br>21 +58   | Fat Yearn<br>Fat Wester<br>Fatier/Mc<br>Firstness                 | 1.88 11<br>0.38 7<br>x 0.56 7<br>1.04 8       | 478 3   | 7 <sup>1</sup> 2 46 <sup>3</sup><br>6 <sup>3</sup> 8<br>5 <sup>1</sup> 8 24 <sup>3</sup>  | 8 93 <sub>9</sub><br>4 243<br>2 347  | 44   | Medicines<br>Meternine   | 0.18 18<br>0.48 15<br>0.24 20<br>0.16 34                | 09<br>474<br>659 u<br>66 10  | 14 13 <sup>1</sup> 2 14<br>128 25 <sup>1</sup> 2 25 <sup>1</sup> 2<br>9 <sup>1</sup> 2 8 <sup>1</sup> 2 9 <sup>1</sup> 2<br>8 <sup>1</sup> 2 16 <sup>1</sup> 4 16 <sup>1</sup> 4<br>0 <sup>1</sup> 8 9 <sup>2</sup> 8 10 <sup>1</sup> 8                                   | 12  | Sonoco<br>Southest x<br>Spiegel A  | 0.56 18 11<br>0.68 16 14<br>0.20 35 95<br>0.40 14 44<br>0.30 16 3 | 56 23 <sup>1</sup> 0<br>05 21 <sup>3</sup> 0<br>94 18 <sup>1</sup> 2<br>81 34 <sup>3</sup> 4                          | 22 223<br>213 213<br>164 163<br>213 343  | 2 -2  |
| Banks<br>Banks<br>Banks                                    | lec<br>outh 0.52<br>ars:Cp 0.40<br>north 0.60             | 18 1437<br>2 12 5320<br>8 84<br>14 13                  | 126 24% 25<br>19 <sup>1</sup> 2 18 <sup>5</sup> 2 19<br>15 <sup>1</sup> 4 15 <sup>1</sup> 2 15<br>25 <sup>2</sup> 4 24 <sup>2</sup> 4 24<br>34 33 <sup>2</sup> 4 38  | 12 +1<br>14 +12<br>14 12  | Fisery Flow int FoodLA FoodLB                                     | 25  | 1212<br>835<br>2579<br>4109                                     | 23 22 <sup>1</sup><br>7 85<br>6 53  | 2 22 <sup>1</sup> 2<br>8 6 <sup>1</sup> 3<br>4 8 <sup>1</sup> 4  | 16<br>16   | Mercory G<br>Meridian<br>Meridian  | 0.70 7<br>1.36 12 1                                     | 200 20<br>3660<br>729  | 17 21 2 21 2<br>84 27 4 28 4<br>32 21 3 31 4<br>91 9 82<br>71 163 17  | -3,   | Steyfel<br>Steples<br>Steffe Str<br>Stef Micro<br>Stef Regis             | 46 75<br>0.60 18 14<br>13 19<br>0.68 14 1                         | 70 19 <sup>5</sup> 0<br>58 22 <sup>1</sup> 4  | 29 <sup>1</sup> 2 30<br>39 <sup>1</sup> 4 41<br>19 <sup>1</sup> 4 19 <sup>1</sup> 4<br>21 <sup>1</sup> 4 21 <sup>1</sup> 4 | 0<br>0<br>8 -                               |
| Bayes<br>Bay V<br>Beyba                                    | t F 0.80<br>New 0.80<br>Inks 1.80<br>Fin x 1.18           | 18 288<br>13 5<br>13 225<br>8 787                      |  | 24 -12<br>12<br>14<br>14  | Forsier A<br>Frib Fin<br>Fat Fiol                                 | 11<br>33<br>1,04 12<br>0.40 8                 | 352 1<br>292<br>155 3<br>292 1                                  | 214 113<br>314 291  | 12<br>3 3<br>2 30 <sup>1</sup> 4<br>16 <sup>1</sup> 4  | +12<br>+12   |  | 8,20 19<br>2,00352<br>8                                 | 739 1:<br>435 7:<br>151 :  | 5 <sup>1</sup> 4 34 <sup>3</sup> 4 35 <sup>1</sup> 4<br>2 <sup>5</sup> 8 12 12 <sup>1</sup> 4<br>7 <sup>3</sup> 4 76 <sup>3</sup> 4 77 <sup>1</sup> 2<br>3 <sup>3</sup> 8 d3 3 <sup>2</sup> 4<br>2 <sup>7</sup> 5 12 <sup>3</sup> 8 12 <sup>3</sup> 4                     | 12  | Steek Tec<br>StokkyUSA<br>Stokky<br>StrawbrCl<br>StructiOy               | 155<br>1.10 14<br>16 10   | 12 12<br>2 21 <del>1</del><br>48 22 <del>1</del><br>55 8 4  | 113, 113,<br>213, 213,<br>223 <sub>2</sub> 223,  |   |
| Benå.<br>Berkk<br>BHA E<br>BI foc                          | lecry<br>CyWFL 0.44<br>Stri 0.12                          | 33 09<br>14 173<br>13 196<br>16 20                     | 14¾ 14¾ 14<br>15¼ 14¾ 14<br>37 36½ 36<br>10¾ 10¼ 10<br>4½ 438 4  | 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4   | Fat Hawai ;<br>FultonFlo<br>FuttonGlo<br>FutmedADI                | 0.58 22<br>0.58 11<br>0.24 23                 | 2205 3  | 74 341<br>4 21<br>84 173  | 3434<br>2134<br>18   | -314<br>+34<br>+34   | Microcom<br>Microcom<br>Microcom<br>Microt<br>Microt<br>Microt<br>Microt<br>Microt<br>Microt | 16<br>2<br>167<br>23 t                                  | 590 5<br>517 7<br>3069<br>3312 2   | 75g 73g 712<br>55g 53g 512<br>73g 7 71g<br>57 5514 561g<br>73g 261g 27  | -2<br>+12   | Summit Bo<br>Summit To   |   | 46 15<br>39 24 <sup>1</sup> 2<br>08 22 <sup>1</sup> 2<br>34 32 <sup>3</sup> 4   | 22 <sup>1</sup> 8 22 <sup>3</sup> 1  | 2 +   |
| Blogs<br>Block   | y W 0.06<br>o<br>t<br>Ong x 1.04                          | 16 435<br>5210363<br>10 3886<br>11 112                 | 11% 11½ 11<br>14¼ 14 14<br>50½ 48½ 48<br>11% 10% 1<br>21 30½ 30  | 4.4.4   | 6 all App   |   | - G -   | 34 34   |  |  | Miller H x<br>Miller<br>Millerbech   | 0.50 25<br>0.52 17 5<br>20                              | 96 36<br>195 24<br>974 24<br>355 #15   | 43,02312 24<br>414 2334 2418<br>512 1436 1514   | -1<br>-1 <sub>8</sub><br>-1 <sub>8</sub>  | Sun Sport<br>Suntitic<br>Swift Tra<br>Sybase Inc<br>Sybase Inc           | 14166<br>41 2<br>51166<br>35 31                                   | 12 45 <sup>1</sup> 2<br>13 13 <sup>5</sup> 8  | 25 <sup>1</sup> 2 26 <sup>1</sup><br>40 4<br>42 <sup>1</sup> 2 44 <sup>1</sup> 2   | N +   |
| Bob B<br>Boole<br>Borise                                   | mn 3 x1.36<br>pars 0.29<br>& 8<br>nd                      | 10 2157<br>10 879<br>15 86<br>15 1515                  | 44 42 <sup>1</sup> 2 45 <sup>1</sup><br>387 <sub>8</sub> 33 <sup>1</sup> 4 33 <sup>2</sup><br>21 <sup>3</sup> 8 21 21 <sup>1</sup><br>28 <sup>3</sup> 4 28 <sup>1</sup> 4 28 <sup>3</sup><br>13 <sup>3</sup> 8 13 <sup>1</sup> 8 13 <sub>1</sub> | +1 <sub>1</sub> | GAK Servi<br>Gentos<br>Gented Rs<br>Gent Co<br>Gent Bind a        | 0<br>10<br>0.16146<br>0.40 20                 | 170 4<br>416 3<br>29 (  | 14. 212<br>12 d34<br>14. 54<br>14. 54   | 21 <sub>4</sub><br>31 <sub>2</sub><br>57 <sub>1</sub>  | ±14<br>+14   | Molex<br>Molex<br>Molex Inc  | 0.20 18<br>20.52 20<br>0.84<br>0.04 21 3                | 49 7<br>280 20<br>825 v38<br>872 v42   | 34 <sub>9</sub> 224, 23,<br>74, 73, 73,<br>84, 284, 283,<br>84 <sub>2</sub> 384, 384,<br>24, 414, 424   | 127   | Synaticy<br>Synatic<br>Synatic<br>Synatics                               | 87 1;<br>1 9<br>64 1;<br>14 60                                    | 21 4 <sup>3</sup> 8<br>02 5<br>28 15 <sup>3</sup> 4 1   | 4 <sup>3</sup> 4 4 <sup>3</sup> 4<br>15 <sup>3</sup> 8 15 <sup>3</sup> 8<br>15 <sub>4</sub> 15 <sub>3</sub> 3              | + 1   |
| Bready<br>Brence<br>Brence                                 | TC<br>WA 0.68<br>0 0.24<br>3 0.28                         | 57 5830<br>18 z100<br>27 z100<br>17 4307               | 38 <sup>1</sup> 4 37 37 12 <sup>7</sup> 8 11 <sup>7</sup> 8 12 48 <sup>1</sup> 2 48 <sup>1</sup> 2 48 <sup>1</sup> 3 11 4 11 11 11 11 11 11 11 11 11 11 11 1   | +1 <sub>2</sub> + <sub>3</sub> + <sub>4</sub>   | Gentyte<br>GentiaPh<br>Gentex Cp<br>Genus Inc<br>Genzyme          | 4.00 38<br>150<br>52                          | 1272<br>3921  | 21 <sub>2</sub> 211 <sub>2</sub><br>21 45 <sub>1</sub><br>34 33   | 11 16<br>22 12<br>43<br>335  | +1 <sub>2</sub>  | Mr Colleg<br>MTS Sys<br>Milmed   | 0.36 23<br>18<br>0.80 8<br>14 2                         | 62 32<br>197 15<br>77 23<br>617 31   | 516 154 1578<br>14 2278 2314<br>112 31 3112   | 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1  | Systemaco<br>Systemaco<br>Systemac                                       |   | 74 144<br>38 18 <sup>1</sup> 8<br>78 778  | 72 17  | - 4   |
|  | ipng 0.48<br>B<br>raT<br>kwn                              | 4 20<br>26 1191 :<br>23 332 :<br>21 163                | 291 <sub>2</sub> 281 <sub>4</sub> 287<br>276 276 27<br>2014 1914 191<br>153 <sub>8</sub> 121 <sub>2</sub> 131<br>814 814 91<br>841 <sub>6</sub> 331 <sub>6</sub> 341   | 4 +1 <sub>2</sub>   | Gibson St x<br>Gicklingst.<br>Gibert A<br>Gigh Bloom<br>Good Guys | 0.12 14<br>0.80 17<br>16<br>16                | 8172<br>106 15<br>4 4<br>304 12                                 | 19 18 <sup>1</sup> 2<br>1 <sup>1</sup> 2 14 <sup>1</sup> 4<br>1 <sup>2</sup> 4 4 <sup>7</sup> 8<br>1 <sup>2</sup> 4 12 <sup>1</sup> 4 | 1812<br>1512<br>476<br>1234  | -10<br>-10<br>-10<br>-10<br>-10<br>-10<br>-10<br>-10<br>-10<br>-10 | Mycogen  |   | N -  | 1 <sup>1</sup> 2 16 10  | -12   | T-Cell Sc<br>Tauwe Pr<br>TBC Cp  | 6 88<br>0.52 10 209   | 7 10 <sup>1</sup> a   | 14 31 ½<br>876 16  | †   |
| Butter   |   | 7 581  | 90-lg 20-lg 2  |   | Grante<br>Grante<br>Grante<br>Green AP x<br>Granch Ph             | 287<br>0.80 69<br>0.24 11<br>0                | 118 K3<br>383 20<br>4<br>708                                    | 14: 27:<br>14: 20<br>18: 17:4<br>18: 2  | 27<br>204<br>18  | +12<br>-74   | Mash Prich<br>Mad Coropt<br>Mars Sun   | x0.72 12<br>x0.36708 2<br>0.20 18<br>6.00 11<br>0.41104 | 197 m<br>193 13<br>21 13<br>11 17  | 1 <sup>1</sup> 2 17 <sup>1</sup> 2 18<br>1 <sup>3</sup> 8 13 13<br>1 <sup>3</sup> 4 13 13 <sup>1</sup> 8  | .5 <sub>8</sub>   | 7echDate<br>Tacumsch<br>Tekalac<br>Telco Sys<br>Telcolt                  | 11 360<br>0.60 12 6<br>3  | 6 18 <sup>3</sup> 2<br>7 49 <sup>3</sup> 4<br>4 8 <sup>3</sup> 4<br>7 11 <sup>7</sup> 2 1                             | 16 184<br>48 48<br>91 <sub>8</sub> 91 <sub>4</sub><br>11 <sub>8</sub> 111 <sub>4</sub>                                     | 43  |
|  | Med<br>twps: 1.37<br>usCost(1.20                          | 6 40<br>17 3879 3<br>18 355                            | 23 22 <sup>1</sup> 4 2<br>5 <sup>1</sup> 4 5 <sup>1</sup> 2 5 <sup>3</sup><br>30 <sup>3</sup> 4 30 <sup>3</sup> 8 30 <sup>5</sup><br>15 <sup>3</sup> 4 15 15 <sup>3</sup><br>7 <sup>3</sup> 4 7 <sup>1</sup> 2 7 <sup>3</sup>                    | 4 +14<br>2 -14  | Gressman<br>Grid Wir<br>GTI Corp<br>GIrMY Svg                     | 840<br>6                                      | 360   | 5 21 <sub>2</sub><br>13 121 <sub>2</sub><br>13 121 <sub>2</sub><br>14 97 <sub>8</sub>   | 1212<br>121 <sub>2</sub>   |  | NeScor<br>Nestrik Gen<br>Nestrogen<br>Nestrogen  | 16 4<br>26 11<br>123 1                                  | 960 16<br>970 8<br>114 5   |   | in the train  | Tellahe<br>Telson Cp<br>Telsa Tec  | 261088<br>0.01 85 45<br>90 26<br>0.26 28 50                       | 5 414 3<br>7 154 1<br>5 850 5<br>8 29 2   | 94 39%   | -21,<br>-1,                                 |
| Calger<br>Cal Mi<br>Cando<br>Cando<br>Cando<br>Cando       | cro<br>filio<br>fal.                                      | 23 581 2<br>1 1035<br>2 16<br>4 50                     | 121 <sub>8</sub> 111 <sub>8</sub> 113<br>241 <sub>2</sub> 231 <sub>4</sub> 241<br>11 <sub>8</sub> 11 <sub>8</sub> 11<br>31 <sub>4</sub> 31 <sub>4</sub> 31<br>21 <sub>8</sub> 21 <sub>9</sub> 21   | 2 +34<br>4<br>2   | Harding A<br>Hartenyol<br>Harper Sp                               | 0.58 8  |   | 2 2812  | 26 <sup>1</sup> 2  | 114  | New Image<br>New Image<br>MovigeNet<br>Newpri Cp<br>Notife Dri                               | 2312<br>0.04 16<br>21 16                                | 927 14<br>795 81<br>67 46<br>131 6   | 7 <sub>2</sub> 143 <sub>3</sub> 147 <sub>2</sub><br>3 <sub>2</sub> 303 <sub>4</sub> 31<br>3 <sub>4</sub> 03 <sub>2</sub> 63 <sub>3</sub><br>7 <sub>5</sub> 633 63   | +12 +14 -1  | Tom Brown<br>Topps Co  | 0.28343 56  | 8 55 <sub>8</sub> 8 62 <sup>1</sup> 2 6 1 11 <sup>3</sup> 2 1 7   | 14 624<br>14 114<br>16 114<br>17 57  | +3  |
| Canon<br>Cartisi<br>Cartisi<br>Castos                      | le<br>H 0.16<br>ICm 0.53<br>de 0.80                       | 3 387<br>21 270 3                                      |  | 8 +14<br>8 +14<br>8 +1 <sub>2</sub><br>2 +1 <sub>2</sub>  | HBD 6 Co<br>Healthcar   | 0.16 27<br>251<br>2.06 20<br>16               | 1824 33<br>8042 028<br>420<br>565                               | \$ 32½<br>\$ 26%<br>12 11%<br>7 8%  | 32 <sup>3</sup> 4<br>28<br>12<br>7   | +1 <sup>1</sup> g<br>+1 <sub>g</sub><br>+1 <sub>g</sub>            | Nidetrm x<br>Noestan 1<br>N Star Un<br>NorithTst   | 14 1<br>4<br>0.68 12 12                                 | 9 5<br>60 38   | 47 4644 4644<br>34 1944 1934<br>38 538 558<br>34 3734 3834  | -1<br>-34<br>-48<br>-46   | Tricare<br>Trimble   | 1,00 11 78<br>19 36<br>68 455                                     | 9 11.24 11<br>9 39 <sup>1</sup> 2 32<br>9 2½ 1<br>5 13 <sup>1</sup> 4 12  | 14 384<br>14 23<br>14 13   | -3  |
| Cater S<br>Cater S<br>Cater S<br>Cater S                   | e<br>p<br>cor<br>3d 1.12                                  | 5 141<br>18 80<br>7 2870 1<br>12 2001 3                | 71 <sub>2</sub> 71 <sub>4</sub> 71 <sub>5</sub><br>12 111 <sub>2</sub> 113<br>141 <sub>4</sub> 135 <sub>8</sub> 1  | 2 - 4<br>4 - 1 <sub>2</sub><br>2 - 1 <sub>4</sub>   | Heldroj<br>Heldrof<br>Heldrof<br>Hogen Sys<br>Hologic             | 8<br>0.72 14 :<br>0.15 23                     | 8 16<br>428 15<br>2 <b>90</b> 6 21                              | 4 104<br>4 144<br>4 202<br>7 75   | 16 <sup>1</sup> 4<br>15 <sup>1</sup> 4<br>21<br>7 <sup>5</sup> 8   | -14<br>-16   | Novell<br>Novell<br>Novellus<br>NPC A<br>NSC Corp  | 76827<br>39 40  |  | 5 155 155<br>4 424 434<br>3 94 53   | +40   | Tseng Lab  | 1.10 11 16:<br>0.80 13 58:<br>0.06186 260                         | 7 <sup>1</sup> 2 7  |  | -1 <sub>4</sub>                             |
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| Clacos   | ys<br>ncp x 1.08<br>itr<br>ir                             | 1350140 2<br>17 218<br>21 69<br>43 183                 | 61 3012 3016<br>61 3012 3016<br>61 <sub>8</sub> 91 <sub>8</sub> 916<br>13 121 <sub>4</sub> 121 <sub>2</sub><br>481 412 481   | -4<br>-4<br>-4  | FR Sys<br>DB Corners  | 271   | 3321 9  | 8 61 <sub>2</sub>   | 6 <sup>1</sup> 2<br>9 <sub>1</sub> 2   | -16  | One Price<br>Option R<br>OracleS<br>Orb Sence  | 12 2<br>21<br>62144<br>46 9                             | 70 15 <sup>2</sup><br>70 22 <sup>5</sup><br>75 42 <sup>7</sup><br>45 18 <sup>1</sup>     | 42 4230   | րեր<br>1-16<br>1-12   | LIST Corp<br>Utah Med<br>Utd Telev<br>Utik                               | 11 67   | 12 2 12<br>9 <sup>1</sup> 2 9<br>51 <sup>3</sup> 4 51<br>3 <sup>7</sup> 3 3   | 가 되는<br>가 51½  | +16   |
| CodeAl<br>CodeAl<br>Cogner<br>Cogner                       | Cp .  | 23 409<br>30 951 1<br>29 790<br>95 108 1               | 28 28 <sup>1</sup> 2 25<br>6 <sup>1</sup> 4 6 6 <sup>1</sup> 4<br>2 <sup>1</sup> 4 11 <sup>5</sup> 8 11 <sup>7</sup> 8<br>19 18 <sup>1</sup> 2 18 <sup>1</sup> 4<br>0 <sup>7</sup> 8 10 <sup>1</sup> 2 19 <sup>1</sup> 2                         | 1 <sub>0</sub> 1 <sub>0</sub> 1 <sub>0</sub>  |   | 29<br>2<br>0.40 33<br>0.24195                 | 90 5<br>78 4<br>99 17<br>68 14                                  | 2 5<br>% 45<br>2 174<br>90195   | 5<br>4 <sup>3</sup> 2<br>17 <sup>3</sup> 4<br>13 <sup>3</sup> 4  | . J.   | OrchdSupp<br>OregonMat<br>Oshap<br>OshaSA  | 7 4<br>0.31 8<br>16 1<br>0.41379 4                      | 51 11 <sup>1</sup> ,<br>50 5 <sup>1</sup> ,<br>60 3 <sup>1</sup> ,<br>22 15 <sup>3</sup> | 2 816 16 ·<br>2 5¼ 5½<br>½ 3 3½<br>½ 15 15½   | 1 %  <br>+  | Valmont. (<br>Vngrd Cell<br>Vertione                                     |   |   | 3. Z7 is   | -12   |
| Coint 6  | n 0.40 l<br>ns x 1.26 i<br>ns 0.80 i<br>0.24 i            | 88 424<br>13 13<br>12 467 u3<br>16 2259 u2             | 31 <sub>2</sub> 18 131 <sub>2</sub> 22 21 22 22 211 <sub>4</sub> 211 <sub>4</sub> 11 <sub>4</sub> 30 311 <sub>4</sub> 71 <sub>4</sub> 261 <sub>4</sub> 27  | +1  | integritor<br>intgitisje  | 28 6<br>0.80 16<br>2717<br>32                 | 2991 2<br>129 u 13 <sup>7</sup>                                 | 23<br>117<br>13 22 2<br>4 124   | 231 <sub>2</sub><br>121 <sub>8</sub><br>227 <sub>8</sub><br>131 <sub>4</sub>                                   | 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1                           | Oshkosh T<br>OderTell  | 1.72 14   |  | 1 10 <sup>1</sup> 2 11<br>4 32 32 <sup>1</sup> 8  | -1g   | Vicox<br>Vicorpfist<br>Vicordogic<br>VLSI Tech                           | 40 950<br>10 196<br>25 547  | 20 24<br>18 <sup>1</sup> 4 15<br>18 <sup>1</sup> 2<br>13 <sup>1</sup> 4 12  | 1 <sub>2</sub> 25 k<br>1 <sub>4</sub> 16<br>18 18 k<br>1 <sub>4</sub> 13 k   | +1<br>-3                                    |
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| Compri<br>Compri<br>Compri<br>Compri<br>Compri             | 100 (100 (100 (100 (100 (100 (100 (100                    | 40 67<br>36 394<br>33 3 4<br>5 96                      | 0% 10% 10½<br>9% 09 0<br>3% 3% 3% 3%<br>6% 40% 40%<br>5% 5% 5%   | - <b>Ā</b>  | intericeA<br>interiori<br>interiori<br>intervoic                  | 43  |   | 3 12 <sup>1</sup> 2<br>8 0 <sup>3</sup> 8<br>8 4 <sup>1</sup> 2<br>4 12 <sup>1</sup> 2  | 12 <sup>1</sup> 2<br>0 <sup>1</sup> 2<br>4 <sup>1</sup> 2<br>12 <sup>1</sup> 2                                 | 78<br>-78<br>-78   | Payco Am<br>Poertess<br>Penn Trty  | 024 41 7<br>29<br>050 45<br>9 1                         | 33 33 <sup>1</sup><br>13 9 <sup>1</sup><br>5 11 <sup>1</sup><br>14 15 <sup>1</sup>       | 2 32 <sup>3</sup> 4 33 <sup>1</sup> 4 2 5 <sup>1</sup> 2 8 <sup>1</sup> 2 4 10 <sup>3</sup> 4 11 <sup>1</sup> 4 8 14 <sup>3</sup> 4 15  | +12   142   1 | Warmtech<br>Washifusse (<br>Washifussi. (<br>Washifussi. )               |   | 41 <sub>0</sub> 3<br>21 <sup>1</sup> 4 20<br>21 <sup>2</sup> 4 21<br>24 <sup>1</sup> 4 23                             | 15 44<br>76 21<br>76 21 12<br>74 23 74   | •   |
| Copytal<br>Cordis I  | 22 0.80 2<br>2 0.80 2<br>2 2                              | 10 56 2<br>21 252 2<br>35 1529 3<br>24 2868 5          | 54 534 53 <b>4</b>   | 4444  | istDeiryCA<br>int Res<br>ist Total                                | 14<br>0.02 17<br>275<br>0.05 21               | 24 17 <sup>2</sup><br>2 2<br>365 6                              | 4 174<br>2 212<br>8 512<br>4 31   | 17年<br>2社<br>5년<br>5년<br>81年   | ᅸ  | Pentrota I<br>Pennast L<br>Peoples H   | 0.72 18 44<br>14 10<br>0.20 26 2<br>0.32 13 12          | 51 403<br>52 51<br>54 233<br>52 1143   | 8 13% 13%   | -15   1<br>-1   1<br>-1 <sub>2</sub>   1  | ND-40 2<br>Heliek<br>Vest One (<br>NstPub                                | 240 18 23<br>5 265<br>172 12 621<br>10 584                        | 42 <sup>1</sup> 4 41 <sup>1</sup><br>3 <sup>1</sup> 4<br>31 <sup>1</sup> 2 30 <sup>1</sup><br>13 <sub>1</sub> 2 12    | 8 42 4<br>3 3 4<br>\$ 31<br>\$ 13 6  | +14   |
| Corp Of<br>Creckes<br>Crey Co<br>Covers<br>Cytoger         | :0.0023<br>xmp<br>Aus: 3                                  | 29 3138 2<br>1 1074                                    | 7 <sup>1</sup> 2 17 17 <sup>1</sup> 4<br>5 <sup>2</sup> 4 28 <sup>1</sup> 4 25<br>1 <sup>2</sup> 8 1 <sup>5</sup> 8 1 <sup>2</sup> 4<br>5 4 <sup>2</sup> 8 4 <sup>2</sup> 8<br>4 3 <sup>2</sup> 4 4  | 12  | increedik<br>Julyakada  | 15  | 288 17 <sup>1</sup><br>19212 <sup>1</sup>                       | 2 16 <sup>3</sup> 4   | 1716   | -16  | Premisey<br>Precedition<br>Pictarities<br>Pictarities  | 24 33<br>27 23<br>0.40 8<br>31 54                       | 13 11 3<br>19 5 1<br>2 9 5<br>18 15 4  | 63 612<br>95 85<br>144 16   | -5g   1<br>-1g   1<br>-1g   1   | Mossonoma<br>Molohen I. x (  | 8 60<br>128 25 1211<br>90 1251<br>128 14 325                      | 51 <sup>1</sup> 2 30<br>42 40<br>16 <sup>1</sup> 4 16   | 4 31 <sub>2</sub><br>4 51<br>4 42<br>4 16  | -4  |
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|  | ٠.  | _  |  |   |   | <b>.</b>                                      | ٠.  |   |  |  |  |   |  |   |   | . <u></u>  |   |   |  |   |

# stocks hard

was a sudden loss of confi-dence in the health of the com-

puter industry. The broad

sell-off appeared to have been triggered by AST Research which, a day earlier, had warned that it would post a loss this quarter. The Nasdaq-

listed stock plunged \$4% to

\$13% as the news prompted at

least two Wall Street securities

But the impact of the

houses to downgrade the issue.

wide range of technology

stocks. Among software devel opers, Microsoft lost \$1% to

\$56%. Among the chip suppli-

ers, Motorola dropped \$1% to

\$52%, National Semiconductor

\$1% at \$17% and Advanced

The big computer manfactur-

ers were not spared, either.

Compaq was marked down \$1% to \$35% with reports that it was trimming orders from sup-

oliers adding fuel to the fire.

Apple dropped \$\frac{14}{2}\to \$35\% and

Some retailing stocks also

came under pressure. The Gap

plunged \$3% to \$39% after

revealing that revenues from

stores opened at least a year

had fallen by 5 per cent last month. Dayton Hudson lost \$2% to \$82% when its same-

store sales came in under

Elsewhere, Fingerhut made a

rare appearance on the NYSE's most active list in volume of

3.1m shares. The stock plunged

16 per cent, or \$4% to \$23% as

the mail-order merchandiser

warned that its third-quarter

profits would suffer as a result of start-up costs relating to a

television shopping service.

TSE 300 composite index fell

expectations

Canada

Toronto's

IBM slipped \$% to \$67%.

Micro Devices \$1% to \$27%.

#### **Wali Street**

US share prices retreated yesterday morning when the outlook for computer stocks McGurty in New York.

By 1 pm, the Dow Jones Industrial Average was 10.69 lower at 3,902.73, while the Standard & Poor's 500 was down 2.21 at 473.29. The setck was broadly-based, with Big Board declines leading advances by a two-to-one margin. NYSE volume was moderate, with 171m shares traded by early afternoon.

In the secondary market, the American SE composite was

#### **NYSE** volume



18 22 23 24 25 28 29 30 31 .1

off 1.01 at 453.33. The Nasdaq composite, with its heavy concentration of technology stocks, suffered more, dropping 5.32 to 760.30.

The day's economic news had an indirect impact on share prices. The National Association of Purchasing Management revealed that the prices-paid component of lts August survey had risen to its bighest level in six years.

With investors on edge ahead of today's employment data, the NAPM report was more than enough to encourage some profit-taking in cyclical stocks which led the mar-ket's recent rally, Caterpillar gave back \$1% to \$114% and International Paper \$% to \$76%. But the most important

cause of yesterday's weakness

#### Brazil rises 2.1 per cent

São Paulo rose 2.1 per cent in the first round of voting on moderate trade as prices rebounded from early losses after investors returned to the market on news that the central bank had taken fresh steps to control liquidity in the banking system.

The Bovespa index gained 1,098 at 54,393 at 1300 local time in turnover of R\$214.3m

Prices were also bolstered by two new opinion polls showing Mr Fernando Henrique Cardoso, the former economy min-ister, advancing further in the presidential race which improved his chances of winning the election outright in

October 3.

Shares rose in early trade in a technical rebound after five days of losses. The IPC index put on 18.33 to 2,721.06 in the first hour of trading, as analysts suggested that wary investors were waiting for the victorious presidential candidate, Mr Ernesto Zedillo, to give an indication of the composition of the new cabinet. Telmex L shares, available to foreigners, gained 1.5 per cent while the ADRs rose \$1/2 to

#### S Africa optimistic on gold

burg. The gold index rose 42, or 1.9 per cent, to 2,331, the overall index added 35 to 5,868, and industrials put on 11 to 6.546. De Beers recovered part of

recent lost ground to add R1.75 to R105. Gencor made 40 cents at R13.90, Lourbo added

FT-ACTUARIES WORLD INDICES

Copylight, The Financial Times Limited, Goldman, Sactis and Co. and NatWeel Securities Limited. 1967

A growing mood of optimism over the bullion price outlook took gold and mining-related sbares higher in Johannes- R4.25 on improved annual

R4.25 on improved annual results and a bullish outlook. Randcoal made gains after news of its merger with Trans-Natal, adding R1.75 to R25.75. Loraine gained 75 cents to R22, Vaal Reefs rose R18 to R447 and Kloof added R1 to R68. Sasol gained 75 cents to

# Earnings fears Corporate results lose impact hit technology as bourses follow Wall Street

The intermittent and very recent ability of bourses to major on corporate performance was shelved again yesterday as the dollar weakened and Wall Street lost ground, writes Our Markets Staff. PARIS ended little changed

in domestic bond markets, but Wall Street's performance disbeartened equity traders in the afternoon and the CAC 40 index ended 34.17, or 1.65 per cent lower at 2,034.91 in turnover of about FFr2.9bn. There was some consolation

in company results. Elf Aquitaine produced lower profits but said that good results from chemicals had offset weak oil prices. The shares fell FF5.40 to FFr410.60 while its Sanofi, pharmaceuticals to perfumes subsidiary lost only FFr2 at FFr957 when it said that analysts' forecasts for 1994 were

Meanwhile, Bouygues fell sharply after the construction group told analysts that it was still suffering losses from its property interests. The shares closed FFr26 down at FFr650. Banks fell after broad gains

on Wednesday. CFF lost FFr38, or 3.8 per cent at FFr957 and BNP FFr8, or 3.2 per cent at FFr242.5. Alcatel Alsthom extended Wednesday's fall on renewed allegations of corporate misdeeds, ending FFr19 lower at FFr580. But Alcatel

THE EUROPEAN SERIES Open 10.30 11.00 12.06 13.00 14.00 15.00 Close FT-SE Burdwick 100 1402.80 1400.71 1401.47 1403.23 1402.88 1402.79 1398.38 1396.82 FT-SE Burdwick 200 1450.33 1454.81 1454.61 1458.46 1465.85 1464.88 1461.16 1480.09

Cable rose FFr29, or 4.6 per cent to FFr656 on a study by the British Cable Television Association on pending investments in Europe

FRANKFURT ended the session with the Dax index 12.05 lower at 2,200.80, in no way surprised by the Buba decision. The real damage was done in the afternoon as US equities and bonds, and German bund futures slid on the latest US inflation data, the Ibis-indicated Dax sliding to 2,185.78.

Turnover fell from DM8.3bn to DM6.4bn. Daimler-Benz, which rose DM3.50 to DMB41 in further appreciation of Wednesday's first half results, succumbed after hours with a fall to DM831.40.

Simlarly, Metaligesellschaft ended the afternoon down DM12, or 5.6 per cent at DM203 after a session fall of DM6 to DM205. On Wednesday, the company extricated itself from expensive links with Castle Energy of the US, but warned

provisions of around DMIbn would not be enough to cover

ZURICH was unable to maintain early strength and prices turned lower, as investors were disappointed by the half year statement from Sandoz and depressed further late in the day by Wall Street's early per-formance. The SMI index fell 17.2 to 2,628.4.

Sandoz registered shares were SFr18 lower at SFr673 after the company's announce ment that first half net profit rose by 2 per cent, compared with expectations of a 5-10 per cent advance.

Roche, still benefiting from switching out of other pharmaceutical issues saw its certificates surrender SFr20 to SFr6,080. The group is to release first half results, including a net profit figure,

Against the trend. Schindler climbed SFr150 to SFr7.600 and

SMH picked up SFr3 to SFr169. Both moves were attributed to speculative buying.

day's low after losses in bonds, and weakness in the London and Frankfurt markets sed financial issues. The AEX index fell 3.33 to 416.11.

Against the trend, VNU gained F1 9.60 or 5.2 per cent to F1 196.00 in response to its first half earnings which came along with a forecast of higher growth for the second half fter the market closed on

Boskalis Westminster, the dredging company, dropped 10 cents to F141.90 ahead of its results, which were in line with expectations and which came after the market closed. BolsWessanen, the food and beverage group, remained under pressure losing another 40 cents down to F136.50 after its lower-than-expected half

year figures MILAN finished lower after a listless session which saw the Comit index lose 4.52 to 686.01, as the market awaited further developments on the budget and pensions. Investors were also digesting the the latest scrap between the coalition partners after Mr Umberto Bossi, leader of the Northern League, said that the prime minister, Mr Silvio Berlusconi.

wanted a snap election.

Monthly total in local currencies (bn) 1.33 145.17 188.00 105.964 151.07 99,228 80.18 31.43 165.42 127.41 59,404 26.40 49,940 18,40 10.33 25.20 21.80 1.160.49 1.340.00

EUROPEAN EQUITIES TURNOVER

European turnover figures for July were delayed, and reduced by the holiday season, 18 per cent down on June after falls of 3 per cent for that month and 8.6 per cent in May. This, says Mr James Cornish of NatWest Securities which produces the figures, was in spite of a 5.2 per cent gain in the FT-Actuaries Europe index after its 4.1 per cent fall in June. The smallest falls in turnover were in Spain and in the UK, down by just 1.8 and 2.5 per cent respectively; the biggest were in France and Belgium, each down by nearly one-third, followed by the Netherlands and Germany, down 30.3 per cent and 23 per cent. 30.3 per cent and 23 per cent.

on Wednesday dipped another L8 to L2,115. However, it picked up from a day's low of 1.2.090 after the company ruled out a capital increase to finance a mobile telephones venture and said that first half turnover had risen by 7 per

MADRID fielded a batch of corporate results, encouraging and otherwise, but it was unable to ignore Wall Street and high domestic bond yields. The general index fell 4.90, or 1.6 per cent to 307.12 to turnover of just under Pta20bn. Banks did not like the bond yield focus, Argentaria losing

Pta160, or 2.9 per cent at Pta5,330 and Bankinter Pta250 at Pta11.920. Among results, a big rise in profits from Iber-

Olivetti, which fell 5 per cent drola left the utility only Pta6 lower at Pta874 although Endesa dropped Pta170 at Pta5,680; but a small decline in half year profits left Dragados, the construction company, Pta90, or 4.1 per cent lower at Pta2.115.

STOCKHOLM liked the Astra regults which took the shares up SKr7 to SKr183. Mr Paul Krikler at Goldman Sachs said that the bank had added the stock to its priority list. The Affärsvärlden General index rose 6.70 to 1.459.20.

WARSAW lost 4.9 per cent after Wednesday's 44 per cent drop, the Wig index closing 546.4 lower at 10,635.0 as brokers continued to hope for a technical rally.

Written and edited by William

### Nikkei edges higher as Kuala Lumpur advances 2.3%

#### Tokyo

Interest in telecommunications stocks propped up activity, but the Nikkel average only saw marginal gains due to profittaking in popular issues, urites Emiko Terazono in Tokyo. The Nikkei 225 index added

14.40 to 20,642.93 after a low of 21.21 to 4,328.29 in volume of 31.49m shares, Declines ont-20.617.52 in the morning and a paced advances by 281 to 229 high of 20,700.54 during the with 291 issues flat. afternoon session. After losing Cott Corp surged C\$21/4 to C\$17 on its denials that a Lobground on selling by corporate investors, brokers tried to suplaw soft drink contract was in port telecommunicationsany danger, and on a buy linked stocks ahead of the Japan Telecom listing, while nmendation by Donaldson Lufkin Jenrette. overseas investors and banks

bought steels. Volume totalled 354m shares rising above the 300m level for the first time since August 17. In spite of the rise in volume, advances in share prices were capped by arbitrage unwinding and profit-taking ahead of the September book closing. The Topix index of all first

section stocks fell 0.48 to 1,639.91 while the Nikkei 300 declined 0.03 to 299.22. Losers outnumbered gainers by 513 to 412 with 225 unchanged and, in London, the ISE/Nikkei 50 index rose 1.37 to 1,388.91.

Steels gained ground on heavy buying with Nippon neavy buying with Nippon Steel, heading the list, gaining Y6 to Y381. NKK followed, ris-ing Y7 to Y292 and Kawasaki Steel rose Y11 to Y434. Construction companies

were higher on reports that July orders for the top 50 construction companies posted the first year on year rise in 18 months. Shimizu rose Y30 to Y1,060 and Toda added Y29 to

Nippon Telegraph and Telephone closed up Y8,000 at Y920,000 after climbing to Y14,000 in the morning. DDI, the telecoms operator on the second section, fell Y30,000 to

Yim on profit-taking.
Banks were lower. Industrial
Bank of Japan fell Y10 to
Y3,010 and Mitsubishi Bank declined Y30 to Y2,590. Brokers were mixed with Daiwa Securi-

Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. to continuation with the Institute of Actuaries and the Faculty of Actuaries

ties losing Y10 to Y1,560 and Nikko Securities up Y10 to Y1.200.

In Osaka, the OSE average rose 25.00 to 22,877.05 in volume of 92.5m shares. Volume rose on selling and buying hack of shares by investors realising profits on their holdings ahead of the interim book closing.

#### Roundup

Regional markets moved in opposite directions KUALA LUMPUR made up for its day's holiday, gaining 2.3 per cent as foreign fund managers increased the weighting of their Malaysian

rose 26.33 to 1,156.34, in volume of 374m shares. Malaysia's biggest bank, Malayan Banking, led the advance with an 80 cent jump to M\$17.20.

holdings. The composite index

SINGAPORE saw a longawaited run up as euphoria over property stocks and Malaysian shares spilled over into the rest of the market. The Straits Times Industrial index closed up 24.13 to 2,336.83.

Cycle & Carriage pnt on 90 cents to a year's high of S\$12.80 amid rumours of an expensive bid for Caltex House, a prime

commercial property.
WELLINGTON finished at a five month high, encouraged by the better-than-expected results from Fletcher Chal-

lenge on Wednesday. The NZSE-40 Capital Index closed up 18.54 at 2,167.02, having picked up 11.4 per cent since its trough for the year on July 11. Turnover was NZ\$51.3m. Fletcher Challenge closed up 11 cents at NZ\$4.29, a high for the year, after the 13 cent rise on Wednesday. JAKARTA closed firm in

moderate trading following some positive first half earnings reports and the market index rose 2.45 to 512.71. Consumer-related issues con-

tinued to drive the market with a 6.5 per cent GDP growth projection this year appearing

180.75 174.77 113.87 148.52 153.81 190.60 158.85 189.89

to indicate more disposable Kong Telecom falling 30 cents income for consumption. Pan Brothers rose Ro150 to Rp1,350 in active trading on HK\$26.80.

good first-half results. **HONG KONG closed lower** on profit-taking, after the cumulative 7.5 per cent rise over the the previous four days when foreigners were active

The Hang Seng Index finished 38.49 lower at 9,890.90, having recovered from the day's low of 9,830.02, in turnover of HK26.66hn

The profit-taking was focused on utilities with Hong

to HK\$16.70 and Hong Kong Electric 55 cents lower at The H share index jumped

76.48 or 5.9 per cent to 1,369.26 as fund managers reweighted their China stock holdings, prompted by the visit to China by the US Commerce Secretary, Mr Ron Brown. Yizheng rose 25 cents to HK\$2.83.

SYDNEY saw profit-taking, as some recent corporate reports failed to excite the market and the All Ordinaries index lost 16.5 to 2.105.5.

Burns Philp eased 9 cents to

A\$3.75 after reporting a 12 per cent rise in profits and saying that it planned to focus on integrating acquisitions. TAIPEI reversed early gains

to close below the 7,000-point resistance level as profit-taking emerged in late trade on fears the central bank might tighten liquidity further within the banking system. The weighted index fell 33.96

points, or 0.48 per cent, to end at 6,974.15, off an intra-day high of 7,085.80. Turnover was a heavy T\$99.61bm. Plastics, overbought by investment trust companies in

previous rallies, consolidated. China Petrochemical fell T\$2.60 to T\$42.60.

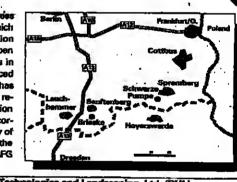
MANILA was marked lower with leading blue chips absorbing much of the selling as investors took profits ahead of next week's listing of Petron, the oil stock.

The composite index slipped 33.44 to 3.079.39 as turnover fell to 1.2bn pesos from Wednesday's 1.91bn pesos.

BOMBAY was lower on profit taking after Wednesday's record close and the BSE 30share index closed down 45.38 at 4,542.78.

#### Treuhandanstalt Announcement of requests to tender for the **OPEN CAST MINING RECONSTRUCTION COMPANIES** in the Lausitz mining region Associated companies of the Treuhandanstalt are salling 100 % of the business interests in the four brown coal reconstruction companies listed below, all of which

are located between Cottbus and Dresden. The activities of the reconstruction companies include the dismantling of industrial plants and the recultivation of open cast mining sites in the Lausitz area. The reconstruction of open cast mines in eastern Germany is being carried out within the framework of publicly financed contracts. For the years 1995 to 1997, a yearly contract sum of DM 1,5 billion has been made available for the reconstruction of the sites in the former GDR. These reconstruction contracts have so far been allocated according to a cost compensation procedure. In the future it is intended to put these contracts out to tender in accordance with VOB/VOL (German contract procedure regulations). The large majority of employees in these companies have employment contracts for the duration of the



| Company fo  | To be demerged   | ronmental Technologies<br>: DM 320 million<br>on 1. October 1994<br>:to:           | s and Landscaping, Ltd. (BUL)   |
|---|--|--|---|
| BS  | -01 "BUL-Sachsen-"   | BS-0   | 12 "BUL-Brandenburg-"   |
| ocation:<br>lange of services:  | D-02977 Hoyerswerds The clearing and dismantling of industrial sites and the recultivation of open cast mines                  | Location:<br>Range of services:  | D-01968 Brieske The clearing and dismenting of industrial sites and the recultivation of open cast mines                          |
| imployees as at 1, 0<br>stimated turnover 1:<br>stimated turnover<br>or the 6 months to 3 |  | Employees as at 1. O Estimated turnover 1 Estimated turnover for the 6 months to 3 | DIM 180 MIQ.  |
| BS-03-Lauchherrane  | Reconstruction Company, Ltd. (SGL) .   | BS-04 Schwerze Pum   | pe Reconstruction Company, Ltd. (SSP)   |
| ocation:<br>tart of<br>usiness activities:<br>ange of services:                           | D-01979 Lauchhammer  1. January 1993 The clearing and dismantling of industrial sites and the recultivation of open cast mines | Location:<br>Start of<br>business activities:<br>Range of services:                | D-03139 Schwarze Pumpe  1. January 1993 The clearing and dismantling of industrial sites and the recultivation of open cast mines |
|   | DM 52 Mio.<br>orths to 30. June 1994: DM 40 Mio.   |  | DM 53 Mio.<br>nths to 30. June 1994: DM 33 Mio.   |
| nsive sales memoran;<br>pany profile along with<br>flered in the sales men                | s a cheque for DM 100,- (per memorandum)   | obtained from KPMG De-<br>peyable to the Treubandar                                | utsche Treuhend-Gesellschaft by sending a<br>natalt. Additional sources of information wil  |

Corporate Finance Group

Kurfünstendamm 207/200 D-10718 Berlin

| Dollar | Sterfing | Index | Camery Modex Index Index Index Camery Modex Index Inde 3.41 1.01 3.95 2.52 1.39 0.74 2.93 1.59 3.05 1.57 0.74 1.58 3.29 3.89 1.88 2.11 3.86 2.11 3.86 2.15 1.57 Hong Kong (59) Ireland (14) itely (59)...... Jepen (469)... Meleyela (97) Vientico (16) Norway (23)..... Singapore (44).... South Africa (50). USA (517)... 169.46 111.21 144.11 159.86 209.25 137.32 177.95 211.78 167.34 109.62 142.31 114.62 168.11 110.33 142.96 132.23 183.74 120.59 159.26 138.97 151.25 69.26 128.62 136.94 259.12 170.06 220.37 238.62 169.61 111.31 144.24 135.97 172.30 113.08 148.53 149.81 173.71 114.00 147.72 152.93 185.26 121.58 157.55 183.81 160.24 110.28 209.07 198.22 167.79 109.92 168.26 109.64 184.35 120.11 150.99 96.37 256.86 167.36 169.76 110.62 172.66 112.50 174.04 113.40 185.37 120.78 143.81 158.75 178.58 177.57 211.33 222.03 142.59 114.19 178.98 143.00 131.96 173.05 158.66 180.17 182.73 128.30 136.66 158.12 218.29 236.21 266.21 144.28 135.81 178.37 146.73 146.62 178.57 147.90 152.73 180.03 0.1 0.2 0.4 0.3 -0.1 0.2 1.1 0.3 0.1 0.1 175.02 216.22 173.52 174.03 190.65 156.15 295.86 175.59 178.57 163.96 157.03 173.15 174.74 134.79 164.77 143.86 161.47 175.57 185.80 134.97 137.50 200.13 203.93 145.58 161.85 155.96 183.14 0.3 -0.1 -0.1 -0.4 1.1 0.0 0.0 2.93 1.40 1.05 1.85 2.77 2.37 2.71 1.87 2.01 2.19 2.80 EUROPE (718) Euro-Pacific (1466)....... North America (621)...... Europe EL UK (514)..... Pacific Ex. Japan (278)...

#### Residential Property Securities No. 1 PLC

£200,000,000

Mortgage Backed Floating Rate Notes 2018 The rate of interest for the three month period 31st August, 1994 to 30th November, 1994 has been fixed at 5.9125 per cent. per amum. Coupon No. 26 will therefore be payable on 30th November, 1994 at £1,474.08 per coupon.

pate interest charging balances of Mortgages redec previous Interest Period: £3,612,418.18 Aggregate interest charging balances of Mortgages redeemed as at 31st August, 1994: £230,211,137.70 The aggregate principal amount of Nones ourstanding as at 31st August, 1994; £80,000,000

S.G. Warburg & Co. Ltd. Agent Bank 



3i International B.V. (Formerly known as Investors in Industry International R.V.) £125,000,000

GUARANTEED. FLOATING RATE NOTES 1994 FOR THE THREE MONTH PERIOD INDESTRY

SIST AUGUST 1994 TO SOTH NOVEMBER 1994 nce with the provisions of the Notes, notice is hereby given that the rate of interest has been fixed at 5 m/m per cent. annum and that the interest pa

the relevant interest payment date, h November, 1994 against Coupon No.28 will be £141.80 from Notes of £10,000 nominal and £14.18 from Notes of £1,000 nominal. S.G.WARBURG & CO. LTD. (Agent Bank)

MANAGER TURKONER

ices 2.3

Friday, September 2 1994

he mood two years ago at the Farnborough Air Show was one of profound gloom. The aerospace industry was in the midst of its worst post-war cyclical downturn hit by the combined and prolonged effects of the slump in civil aviation and cuts in defence spending following the end of the cold war.

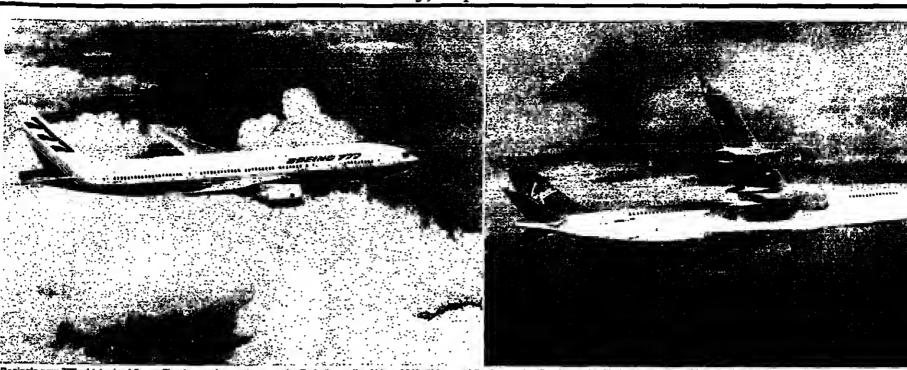
Senior officials of leading aerospace companies were try-ing to put on a brave face inside their corporate chalets at the show. "The offer a case of the best champagne to the first person who walks in with a real order," said one executive of a large European aircraft manufacturing company.

Next week, as the world aerospace industry gathers again en masse at Farnborough, the atmosphere is likely to be much improved. Not that the industry is finally out of the woods, but at last it is seeing some light on the other side of the dark valley.

During the past six months, there have been tangible signs of recovery in the airline industry. After four years of record losses, world airlines expect to return to profit this year as passenger and cargo traffic continues to pick up strongly. In the first half of the year, the 224 airline members of the International Air Transport Association (IATA) saw their overall traffic grow by 9.3 per cent compared with 7.2 per cent for the whole of last year.

Although this improvement has yet to translate into a new sustained wave of orders for aircraft manufacturera from more financially stable airline customers, the market has begun to stir. "Deferrals and cancellations of orders are now slowing down," said a senior official of the European Airbus consortium. "Last year they were the rule; today they are becoming the exception."

Singapore Airlines, one of the most profitable carriers, sent a strong signal to the market in June when it placed one of the biggest new aircraft orders on record for 52 widebody airliners worth \$10.3bn. The airline said the deal reflected its confidence in the long-term health of the aviation industry.



### Manufacturers prepare for take-off

Collaboration, partnerships and joint ventures have all become the rule in the civil sector, writes Paul Betts, Aerospace Correspondent

what its chairman wrote in June 1993 in his annual statement when he noted that "aviation analysts surveying the carnage in the industry are sunk in despeir", in his annual statament this year, be wrote: "Analyats may be market. European competitors hava been slower to adapt. But, in the past two years, inclined to infer that the downthere has been a growing trend of transnational mergers and ward slide in the industry remains intact: their melancholy may be misplaced." This cautious revival of opti-

mism has also followed two years of a continuing shake-up in the civil and defence sides of the business. Defence contractors have had to adapt to what appears to be a lasting reduction in government military budgets forcing them to accelerate the trend towards greater consolidation and rationalisation in the industry. The US has taken the lead

with a significant wave of disposals of their defence activities by some large industrial conglomerates to other groups that have decided to increase the civil sector reflecting the global nature of the aerospace market as well as the rising costs of developing new prod-ucts and technologies and the increasingly long investment pay-back lead times. All aero-

consolidations in Europe. These include negotiations between British Asrospace and Matra of France to merge their missiles activities; the planned acquisition by a joint venture between Matra and the UK General Electric Company of BAe's space systems division; advanced negotiations between Aérospatiale of France and Deutsche Aerospace to combine their missiles and space operations in joint companies, similar to the merger of their helicopter activities into Euro-

become the rule of the game in

solidation in the coming year as manufacturers desperately Collaboration, partnarships and joint ventures have all seek to rationalise a sector

chasing too few orders. After failing in its efforts to merge its loss-making regional jat activities with Taiwan Aero-space, BAs is now in talks with the Dutch manufacturer Fokker which was taken over last space manufacturers from airyear by Deutsche Aerospace. It

#### in this survey

Large commercial aircraft, page 2; Aero engines, Page 3; Airlines, Page 4; Military aircraft, Page 5; Missiles and evionics, Page 8; Super jumbo and SST-2, page 7; Spaceflight, Page 8; New materials, page 9; World markets, US, Japan, Russia, China, Europa, Asia-Pacific, pages 10-14

makers and components suppliers now agree that co-operation is the only way forward. The regional jet and commuter turbopropeller market seems set for significant con-

where too many products are

frame producers to aero engine is also in discussions with Aérospatiale to create a joint venture in the turboprop sec-

> But even in the higger end of the airliner market, the three leading manufacturers - Boeing and McDonnell Douglas of the US and the European Airbus consortium - are seeking risk-sharing partners to collab-

the 1992 agreement between the US and the European Union on aircraft subsidies, both sides are still anxious to orate on the development of new programmes. Boeing and secure new commitments on Airbus have also been discussthis controversial issue. The ing during the past two years joint collaboration on a future US wants even tougher restric-tions on direct subsidies to Airvery large aircraft with 600-800 hus, while Europe is insisting on stricter controls on indirect

companies. Although the trade dispute has abated following

government support from

to forecast strong demand for

new aircraft over the next 20

years. Boeing, the world's big-

meet the growth in air travel

industry

Washington to its aerospace

However, these talks have been marred by suspicion with each side worried that the other is seeking to establish a lead in the future development of a super jumbo airliner. As a result, both Boeing and Airbus have continued to pursue separate studies to develop on their own a very large transport which they believe the market will need by the beginning of

the next century.
Continuing trade frictions on and the need to replace older For the manufacturers, the government direct and indirect higgest prize in the short to medium term remains the supports for civil aircraft programmes have not belped col-Asia-Pacific market which has laboration efforts between Boeing and the Airbus partner continued to grow much faster

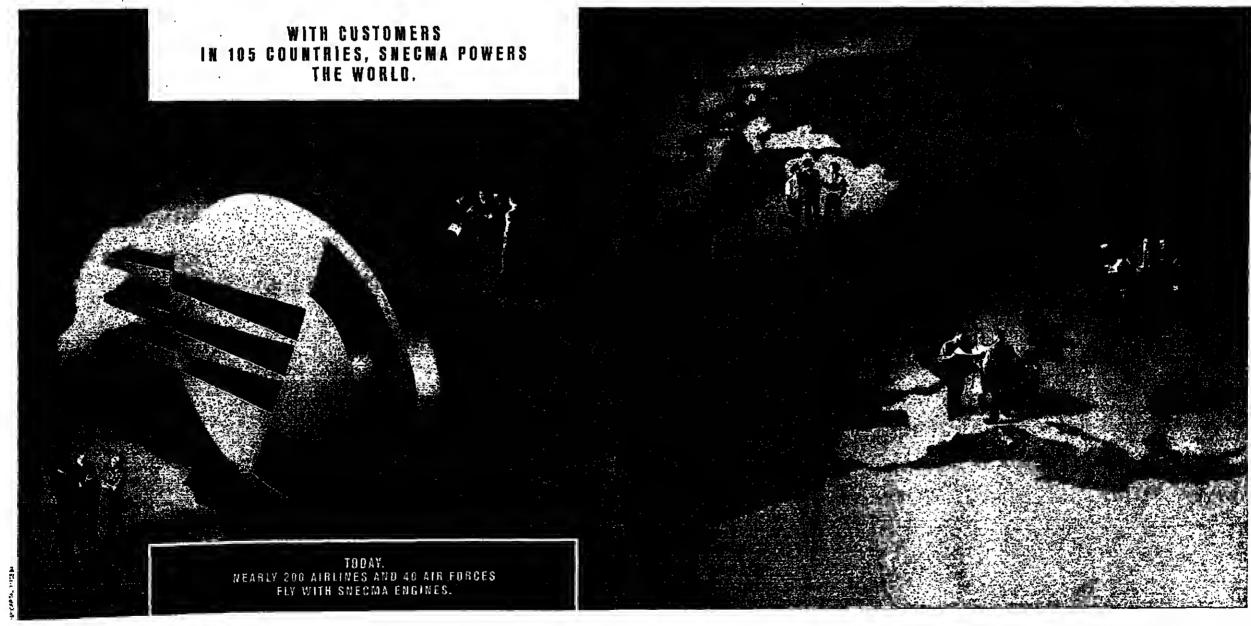
than other regions with strong demand not only for civil aircraft but also for military equipment. The Chinese civil aviatioo market in particular has been growing at breakneck speed. In cootrast, the indus-try's earlier hopes of seeing the former Soviet Union emerge as a significant new market opportunity for western manufacturers have so far failed to

But the airline industry in general is in no burry right now to start ordering new aircraft with the same frenzy as it did in the late 1990s. Airlines are still struggling to restore their balance sheets, badly dented by several consecutive years of losses and fare wars that have undermined their passenger fare yields. In the face of what are likely to be lasting pressures on yields, airlines have sought to improve their financial performance by extensive cost-cutting to

improve overall productivity.

One of the most interesting recent trends in the airline industry's cost-cutting drive bas been the growth to employee ownership in air-lines. The US has taken the lead and already employees own 26 per cent of Northwest Airlines, 45 per cent of Trans World Airlines and 55 per cent of United Airlines. Negotiations are taking place between management and employees at USAir over restructuring proposals also involving an exchange of equity to employees for labour coocessions. This trend now seems set to spread to other countries. Already British Airways pilots are interested in increasing their stake in their airline. Because airlines are preoccu-

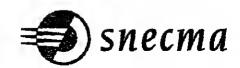
All three leading aircraft pied with holding down costs, manufacturers have had to manufacturers are continuing shift their traditional emphasis from pure product research and development to improving their manufacturing processes. gest manufacturer, expects \$980bn worth of new airliners This will enable them to produce airliners more cost effito be sold in this period to ciently thus ensuring a return on investment from airline customers purchasing aircraft with lower operating and acquisition costs. "The issue today is not so much what you build but how you build it," explained an Airbus executive.



Snecma is one of the world's leading aircraft engine manufacturers, with customers throughout the five continents. The CFM56 family - fruit of our long-standing collaboration with General Electric - is the benchmark in commercial aviotion.

And the M88 powerplant for the Rafale multirole fighter pushes the military performance envelope turther than ever before We've achieved this success thanks to unrivalled expertise in enaine technologies. And we go further every day by listening to our customers and responding to their needs. thanks to ambilious RGD programs. Working from these solid foundations, we continue to forge new alliances and seek new solutions that will power the aerospace industry well into the future

COME AND VISIT US AT FARMEOROUGH'S4 FROM SEPTEMBER 05-11, 1994 HALL 1-C2A



POWER ALOFT

Paul Betts says the worst may be over for the beleaguered commercial aircraft industry

### Preparing for tomorrow today

emerged that the worst is possibly over for the beleaguered commercial aircraft industry.

Singapore Airlines this summer placed one of the world's biggest aircraft orders for 52 US Boeing and European Airbus widebody airliners worth \$10.3bn. Dr Cheong Choong Kong, the airline's managing director, described it as "an expression of faith in the long-term health of the aviation industry". A few months earlier, Saudi Arabia also announced a jumbo order for about \$6bn worth of Boeing and McDonnell Douglas airlin-

Although these large deals, once commonplace in the late 1980s before the industry was plunged into its worst reces-sion during the last four years, are still the exception rather than the rule, all three main commercial sircraft manufacturers - Boeing, Airbus and McDonnell Douglas - are beginning to see some light at

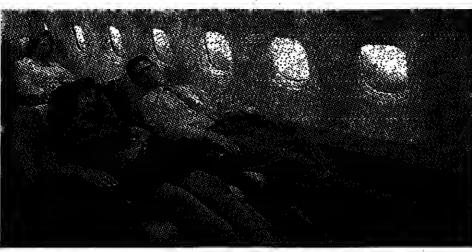
the and of the tunnel. Last year we all sufferred big order cancellations and ferrals from airlines. At least this year cancellations and deferrals have petered out." says Jean Pierson, the Airbus

"The airline industry has had a hell of a time but I expect the airline market to bottom out," says John McDonnell, chairman of McDonnell Douglas, the most vulnerable of the three big manufacturers to the industry's difficulties. "I do see signs that we are coming out of the depression. I've en through three cycles. People have speculated that we would so out of the commercial aircraft business. It hasn't happened yet and it won't happen in this cycle," he edds. And Boeing, the world's big-gest manufacturer of commercial jets, is still forecasting demand for new airliners worth \$980bn in the next 20 years to meet the growth in air travel and the need to replace older jets. In its latest civil aircraft market outlook. Boeing says that \$731bn worth of new aircraft will be need to accommodate future air traffic growth and \$249bn to replace older aircraft.

But the four-year long recession has left deep scars and forced aircraft manufacturers to adapt rapidly to a fundamental structural change in the market. Air traffic, a traditional barometer of economic the passenger yields of airlines continue to remain under pressure because of low fares. Many airlines as a result continue to be burdened by financial losses and debts significantly reducing their ability to

acquire new aircraft. "It is becoming more and more evident that revenue. rather than traffic, is becoming the key to airline profitability, says Adam Brown, head of strategic planning at Airbus. Like other industry experts, Mr Brown believes low fares are here to stay and airlines will have to rely increasingly for their profits on cost reductions and operational efficiencies. In turn, they will seek to fill their fleets with aircraft with both lower operating and acquisi-

tion costs. These financial pressures coupled with the industry's increasing concentration has led to a further intensification of competition in the commercial aircraft market. As Boeing puts it: "There are only 600 air-



cious atmosphere: the A340 offers first-class passengers genuine widebody comfort

lines in the world. Only 125 of these buy new airplanes. And the 20 largest airlines buy 60 per cent of all new commercial airplanes. In such a concentrated market, you can't afford to miss a single strategic sale." To respond to these new

challenges, aircraft manufacturing has been forced to evolve from a business driven purely by product, research and development to one where the manufacturing process will make the difference between one airframe builder and its rivals. "It is no longer so much what you build but how you build that will give you the edge over the competition," explains e senior Airbus execu

We are all having to adapt to this new competitive environment," says Claude Terrazzoni, head of the commercial aircraft division of Aérospatiale, the French partner in the Airbus consortium, "Boeing is now cutting its production costs by 25 per cent: either they want to kill us because think Airbus can't match such cuts, or they are adapting to the structural change in the airline industry with low fares; or they are trying to do both,"

At the roll-out this apring of its latest airliner - the 400-seat 777 twin-engine widebody -Ron Woodard, the head of the US company's commercial aircraft operations, said Boeing was committed to drive down costs and the time to build an aircraft "to make sure we remain the world's most competitive manufacturer of commercial jets".

Boeing has already reduced the order-to-delivery time of its widebody aircraft such as the 747 and the 767 from as high as 18 months e few years ago to around 10.5 months and wants to bring it down even further to eight months. It eventually hopes to achieve the same target for the 777, the latest mem-

ber of its atroraft family. Boeing has already reduced the production cycle time for its narrowbody aircraft, including the 737 and the 757, to nine months and is planning to hring it down to six months by

The way Boeing has developed the 777 is another exam-

Manufacturers are beginning to see light at the end of the tunnel

ple of bow manufacturers have adapted their operations to the changes that have taken place in the civil aircraft business, Boeing describes the 777 as e "market-driven" airliner. In the past, the manufacturer felt it knew what was best for its airline customers. But with the 777, Boeing has encouraged airlines, suppliers and sub-contractors to participate actively in the design and planning of



the new airliner.

"Not that we did not listen to our customers in the past, but the biggest lesson we learnt was that we often listened to them late in the programme," explains e senior Boeing executive. At all cost, Boeing wanted to avoid the mistakes made five years ago on the development of the 747-400, the newest version of its 747 jumbo. After failing to listen properly to its customers, Boeing was forced to delay delivery for several months to initial customers because of teething problems and design changes demanded by airlines. This time, Boeing wanted to make sure it had what it calls e "service ready" airliner from the first 777 deliv-

The change in Boeing's manufacturing approach reflects two important evolutions in the market. The first was the need to adapt to the new cir-cumstances facing arrines hit by the prolonged slump in civil

aviation. The second, and per-haps even more important factor, was the emergence of Airbus as Boeing's principal

long-term challenger The European consortium. which has steadily built market share during the past 20 years by launching advanced new aircraft programmes and developing a broad family of airliners, has been making serious inroads into some of Boeing's traditional customers including in its domestic US market

With nearly 30 per cent of

the world market, Airbus has now overtaken McDonnell Douglas in the industry's number two slot behind Boeing. The US company's Douglas commercial aircraft division has been given e big boost by Saudi Arabia's decision to award e large slice of its new \$6bn order to the Long Beach, California, group. But Douglas continues to be handicapped by its limited product range ocused on two niche markets with its MD11 three-engine widebody airliner and its MD-80, MD-90 and the planned MD-95 narrowbody twin-engine airliners all derived from the original DC-9.

Douglas has not abandoned the idea of forging an interna-tional alliance with foreign partners ecquiring up to 49 per cent of the Long Beach concern. A similar scheme with Taiwan collapsed two years ago. But in the absence of establishing a strong international alliance, many in the industry expect Douglas to find. it increasingly hard to compete "This is simply not a niche business. You need a broad family of aircraft to compete," explains one of Douglas's main

In contrast, Airbus has embraced the "family concept" with its A320, A319 and A321 narrowbody airliners, its A300 and A310 widebodies, and its latest widebodies including the A330 twin-engine airliner and its sister aircraft, the four-en-

gine very long range A340. From the beginning, Airbus has sought to leap-frog Boeing with its products by introducing new technological concepts to commercial jets including fly-by-wire electronic controls. And with the A330 and A340 and plans to develop the ASXX, a 500 to 600-seater jumbo, Air-bus has also increasingly chal-lenged Boeing's dominance of

the large aircraft market.
The reaction at Boeing has The reaction at Boeing has been violent. As Mr Woodard put it in Boeing's staff magazine: "We decided to prepare for the future today, while we're number one because number two is unthinkable." Boeing's cost-cutting drive has

involved 28,000 job-reductions m 1993 and 1994. The US company has stepped up the widespread application of new computer and automated manufacturing techniques. It has introduced new organisational structures to improve internal working relations and

All this has now put pres-sure on Airbus to accelerate its own internal change to respond to the new competitive challenge from Boeing. Simply put, the commercial success of Airbus, whose sales topped \$8bn last year and are expec to reach the same level this year, is in danger of being undermined by the group's own complex corporate structure and complex work-sharing production system based in its four partner countries -France, Germany, the UK and

ald comfort

Spain.
But all four Airbus partners now recognise that the challenge for Airbus is to transform what was initially conceived as e job and wealth creation consortium to compete against the dominance of the US manufacturers into an independent company, mature enough to rationalise and restructure, take hard political and social decisions, and stand on its own two corporate feet.

Airbus says it is confident it. can meet Boeing's challenge. It, too, has cut back on excessive staff with its four partners launching extensive restructuring. It is attempting to maximise the big investments made during the past 29 years in automation and comstreamline the consortium's complicated four-nation manufacturing and assembly pro-

Mr Pierson, the Airbus chief executive, has set production targets for Airbus airliners similar to those set by its rival Boeing. "For narrowbody air-craft we are also aiming at an order-to-delivery target of six months in 1996. Today it is 12 down to nine," be says. For widebody aircraft like the A300, A310, A330 and A340, Air-bus has already reduced production cycle times from 15 months to 12.5 months and plans to go down to nine months by 1996.

But the task remains a daunting one for Airbus. The European consortium has started transforming itself, bu the process is a slow and point cally difficult one. Unless it steps up the tempo, it will find it hard to keep up with the pace being set by Boeing. As Philip Coudit, Boeing's president dent, has put it: "The race will go to whoever is fastest."

Defence contractors

### **Cold comfort** after cold war

Norman Augustine, the chairman and chief executive of Martin Marietta, has been negotiating some tough deals with the Pentagon recently. When the company agreed to acquire General Dynamics' Space Systems division in May, the Department of Defence the Department of Defence agreed to pay for some of the rationalisation costs, and to allow Martin Marietta to keep

half of the resulting savings.
Such deals are likely to become more common if the Pentagon has its way, but it does not herald a sudden out-break of altruism in Washing-ton. The Department of Defence thinks that if the defence industry consolidates into fewer larger manufacturers it will save money. In the case of General Dynamics Space business, for example, paying \$30m in restructuring charges may save \$500m on the cost of launch vehicles over

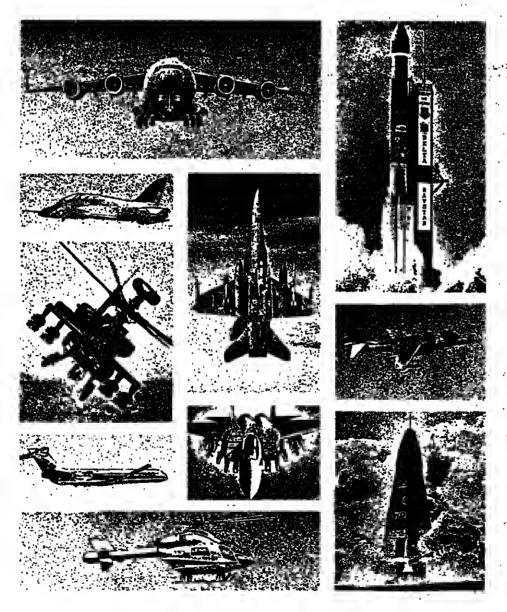
If incentives from the Department of Defence are the carrots to encourage industry

the next 10 years.

mergers and rationalisation there are plenty of sticks, too. As US defence spending has been cut in the wake of the Reagan arms build-up and the end of the cold war, weapons procurement has been by far the worst hit section of the budget. Total defence expendiweapons procurement has fallen by two-thirds. Since that is what puts bread into the mouth of defence companies, some people have gone hungry.

The industry has had to respond rapidly to this rising pressure. Since 1990, employment in the US defence industry has fallen from 1.8m to 800.000. There has also been a 800,000. There has also been a there has been no rout, and nor has the game of musical chairs turned nasty, despite the steadily reducing number

The first to pull out were the



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Paul Betts discusses the manufacture of aero engines

# Quest for ever more power

The development of the most powarful commercial jet times ever huilt has continged to dominate the efforts of the world's leading aero-engine

The stakes are buge. Between them, the big three aero-engine makers are spending around \$4bn to develop se new power plants which can deliver more than 100,000th of thrust. The Trent being developed by Rolls-Royce of the UK has already been run at 106,000lh of thrust. General Electric of the US has tested its new GE90 at an even higher rating of 110,000lb, while the other big US manufacturer. Pratt & Whitney, has also run its more powerful derivative of the PW4000 at more than 100,000lb of thrust.

When Rolls-Royce first unveiled the Trent programme at the Farnborough Air Show back in 1988, Sir Frank Whittle, the father of the jet engine, could hardly disguise his amazement at the extraordinary progress made in engine technology since the development of his first engine with

only 480lb of thrust.
"The most powerful engine I designed had a thrust of 2500lb. I would have said something like 10,000lb was as far as we were likely to go. If we wanted

more power for a particular aeroplane, we'd just have had more engines than, say, two of these enormous, powerful jobs," ha said.

Throughout the history of the commercial aerospace industry, aircraft hava been getting bigger and heavier, and as Russ Sparks, the GE90 programme manager notes "the heavisr versions of aircraft have traditionally sold best".

This trend is showing oo sign of abating. Aero-engine makers now expect that hy far the largest portion of all civil aeroapace business in the future - around 50 per cent by value - will be in the large, wldebody aircraft sector requiring a new generation of heavy thrust engines.

At present there is only limited market application for the new big power plants under ing 777 wide-body twin-engine airliner, which made its flight debut in June with Pratt & Whitney engines, the prime contender. At the same time. there is no demand at this stage for engines with thrusts of more than 100,000lb since Boeing requires thrust ratings of 76,000lh and 84,000lh for the first two versions of its 312 to

But the engine makers are

Rolls-Royce Trent 800: run at 106,000th of thrust

already anticipating demand for heavier versions of the air-craft as well as development of other new large airliners. All big three manufacturers are thus anxious to show airline customers that their new large commercial engine programmes can meet potential

demand for higger and heavier derivatives of the 777 as well as super jumbo 600 to 800-seat airliners under study.

However, the timing of these amhltious and costly programmes could not have come at a more difficult moment. The battle to power the "big

twins", as it has become popularly known, has coincided with the worst recession in the highly cyclical commercial aerospace industry coupled with the decline in military business following the reduction of government defence hudgets in the wake of the end of the cold war.

The industry has hean caught in the classic pincers with research and development costs running very high at a time when cash flow has been inhibited by poor trading con-ditions, which have hit not only new engina sales but activity in spares, a traditional large source of profit for engine makers. Moreover, the

decline in defence epending, which for the first time has come simultaneously with the downturn in the civil side, has had severe implications on the government funded part of company research and develop-

This has forced aero-engine companies to pursua sweeping restructures including heavy job cuts and plant closures. Rolls-Royce, for example, closed three plants last year and is closing three more this year to match the cost-cutting of its US rivals. The UK company has also sought to expand Its activities in the industrial reliance on sero-engines. However, unlike its US competitors, which are part of big diversi-fied industrial groups, the UK company still remains heavily dependent on aerospace.

The competitive pressures and heavy costs of developing new engines have also stepped up the pace of consolidation and collaboration in the industry. All the three hig aero-engine makers have forged part-nerships with other international companies in the heavy thrust engine market.

Risk and revanue sharing partners from Japan, Germany, France, Spein, South Africa as well as the UK have taken almost 20 per cent of Rolls-Royce's Trent programme. The

GE90 has reinforced the collaboration between the US manufacturer and Snecma, the French atate-controlled aero-engine group. Through their CFM International partnership, GE and Snecma have formed what many regard as a model of international collaboration which has enabled them to take a leading position in supplying engines for narrow-body airliners such as the Airbus A320 as well as for the new

long-range four-engine A340. Pratt & Whitney for its part has entered into a strategic partnership with MTU, the aero-engina subsidiary of Deutsche Aerospace, and is the principal partner with Rolls-Royce in the international Aero Engine consortium which develops the V2500 engines in competition against the GE-Snecma CFM Interna-

tional partnership.
Collaboration is intensifying at every level of the market and not just at the top end. This has seen the successful launch of the joint aero-engine venture between Rolls-Royce and BMW, the German car group, which is developing the BR700 series of engines to power new long-range business ets as well as future regional jet aircraft. Deutsche Aerospace bas now also renewed approaches to its German rival

to suggest co-operation. The industry now believes it has probably seen the worst of the current prolonged recessionary cycle with a recovery in orders starting to pick up

#### **Cold comfort**

Continued from page 2

predominantly non-defence companies who decided to leave the field to professional soldiers. So IBM, Ford and General Electric have sold their defence interests to the likes of Loral and Martin Marietta, The other hig seller has been Bill Anders, the astropaot who was chairman of General Dynamics between 1991 and 1993. He sold his F-16 fighter plant to aerospace company Lockheed, his missile business to missile specialists Hughes Aircraft, his space launch husiness to Martin Marietta, and his oon-military aircraft husiness to Textron.

Other deals will follow and Dan Tellup, chairman of Lockheed, thinks that the US may end up with two combat aircraft manufacturers, two electronics giants and two missile impanies. It is already down to one tank manufacturer, one submarine yard and one surface warship maker. Some systems are too expensive for

gic hombers may have come to the end of the line with the \$850m-a-

time B2, unless cheaper production methods are found. Yet the larger companies, such as Lockheed, Martin Marietta, Raytheon and McDonnell Douglas, have sufficient backlogs of orders to be relaxed in the short term. "We have to be opportunistic" says Dan Tellup, "because it is never completely clear where the opportunities will arise." These companies have also become strongly cash generative as a result of the job cuts, and perbapa their higgest

ing stock market values may attract cash-bungry predators. Smaller firms with weaker finances cannot be so relaxed. however. Those whose programmes are drawing to a close, such as Northrop and Grumman, may be forced into merger to spread the pain of remaining in the game. Others

will be forced out altogether.

immediate fear is that their ris-

Many US chief executives see the consolidation as a muchoverdue rationalisation which only mimics the cuts in Europe over the past 25 years. This is a little ironic, since although many of the cottage industry manufacturers within Europe have been pushed together into larger national groups, they all have national markets which are in order of magnitude smaller than the US home base. When looked at from a European perspective, the European Union still has a smaller total defence market than the US and it is much more fragmented. Europe Is oowhere near achieving the economies of scale which the

US takes for granted. What is perhaps worse from the European point of view, is that the situation is unlikely to change rapidly. Some cross-

border deals in less sensitive technologies are being done for example, a merger between Giat of France and Royal Ordnance of the UK is being negotiated. Yet even here national sensitivities are such that the UK is only prepared to be dependent on French munitions to the extent that France is equally dependent on tha UK. Such cross-border rationalisation of the missiles business, with Matra and BAe teaming up and Aérospatiale and DASA getting together, are also under discussion. Still,

progress is painfully slow. The other great European experiment is in collaborative ventures, such as the Eurofigh-ter. These seek to spread the cost of developing the most sophisticated systems across several countries with a sufficiently long production run to make them viable. Even here, the difficulty of co-ordinating several partners, the delays which politics can cause, the compromises and disagreements about specification and

the spreading of work among The EU has a smaller the partners total defence market can mean that no one gets the than the US

want and no one saves any monay. One national auditor of such projects doubted that any previous collaboration had actually proved cost-effective.

European governments may be prepared to tolerate the problem, since from national perspectives, the alternative of common European defence policy and procurement may be worse. Yet such inefficiency means either Europe pays more for the same level of defence than the US would, or it settles for less sophisticated equipment, or possibly both.

With the crunch to get value for money in defence spending growing, however, there will be increasing pressure to buy off-the-shelf US products rather than a tailor-made European solution. That problem is seen graphically in the present UK debate over the replacement of the RAF Hercules fleet, where a new European design is up against a proven US product. Even if the Future Large Aircraft were shown to have lower life-cycle costs than Lockheed's new C130J Hercules, the FLA group would have an uphill task persuading the UK to fund its share of development costs.

There is also a crunch in export markets. Cost is only one of the issues for purchasgovernments. Traditionally, the effectiveness of weapons systems and political ties between governments have been more important. But the culture of value for money is spreading to hard-pressed governments. Unless the European arms industry starts cross-border consolidation, it may face a choice between subsidising its arms exports and leaving the field to the US.

Bernard Gray

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years of record losses totalling

\$15.6bn on international sched-

But the pain is by no means over as the industry continues to adapt itself to profound

structural changes caused by increasing liberalisation and

deregulation and the after

shocks of the worst slump in

the post-war history of civil The International Air Trans

port Association (IATA) is now

forecasting an industry profit

of around \$1bn this year. "We

are hopeful we have turned the

corner," says Tom Murphy, senior director of the trade

organisation grouping 224 air-

Even if \$1bn is better than

nothing, it is still only a tiny fraction of the industry's total

annual revenues of around

\$110bn. What is more, the

financial performance of airlines continues to show dra-

Airlines, are doing well; the

director-general, blames three

factors for the continuing

financial problems of the air-

The world economies were

denied a "soft landing" from the boom of the 1980s and air-

lines, which bad continued to

order aircraft in large numbers

right up to 1990, were caught

with too much capacity when

the recession hit and was fur-

ther exacerbated by the impact

service their debt.

uled services alone.

The pain for airlines is by no means over, writes Paul Betts The world airline industry expects to fly back into profit this year after suffering four

### A slow flight back into profit



matic variations. A few, like British Airways and Singapore Air France is getting \$3.7bn in government backing to help it recover

majority are hovering around break-even point; and about a quarter are losing a spectacutransport policy and continuing over-capacity have had a devastating impact on real paslar amount of money.
Pierre Jeanniot, IATA's IATA calculates that air

fares have dropped by 68 per cent in constant money in the past 20 years and this trend has been accelerating. Although passenger traffic is expected to grow by an average annual rate of between 5-6 per cent during the next four years – with much higher growth in the Asia-Pacific region of around 8 per cent a year - this is unlikely to lead to any significant improve in airline yields as has been the case in past cycles.

of the Gulf war on air travel.

The huge level of aircraft orders was financed essentially "In many markets, air travelby borrowing with the result lers have now become accustomed to paying a particular fare level; and if fares are that airlines now have to make an operating profit of at least increased, thay simply don't fly. So the airlines now have 3.7 per cent of revenues just to ■ The increase in competition. no choice but to find a way to in the 1980s combined with provide a service at this fare level, rather than as in the past

seeking to maximise the fare charged for providing the serins Adam Brown, head of strategic planning at the European Airbus aircraft manufacturing consortium.

Airlines are also facing tougher competition in many markets not only because of the impact of increasing liberalisation, but also from new

Top 10 airlines

| Airline                  | Million |
|--------------------------|---------|
| United Airlines (2)      | 162,527 |
| American Airlines (1)    | 156,30  |
| Delta Air Lines (3)      | 133,34  |
| Northwest Airlines (5)   | 93,54   |
| British Airways (6)      | 80,08   |
| Continental Airlines (7) | 68,114  |
| USAir (8)                | 56,68   |
| Japan Airlines (9)       | 54,616  |
| Lufthansa (10)           | 52,65   |
| Cantas (16)              | 44,51   |

rival forms of transport. In Europe, the development of a high-speed rail network and the opening of the Channel Tunnel will inevitably intensify competition on shorter routes where rail can provide a fast and more direct service between city centres.

Low fares and new competitive forces will force airlines to continue pursuing cost-cutting and other productivity efforts to restore their profit margins. Considerable progress has been achieved by a number of airlines but many still have a long way to go to adapt their structures and operations to the new competitive, liberalised industry environment. This is particularly the case

for state-owned European carriers which are now facing far tougher rules from the European Commission on government financial support. The Commission wants to see the phasing out of all state aid to

airlines over the next three years. It has also warned airlines they will be allowed one last package of substantial aid as long as it is linked with a large-scale restructuring and cost reduction programme to restore their competitive posi-

While financially troubled

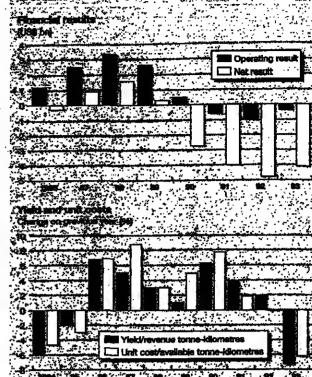
European state carriers like Air France, Olympic of Greece or Alitalia, are wrestling to restructure themselves (Air France alone is getting FFr20bn [\$3.7bn] in government backing to help lt recover), large US airlines have also been forced to adapt to new competition from low-cost carriers in their domestic market. The response of the leading US airlines has been to seek labour concessions and launch separate new low-cost subsidiaries to compete against the new breed of domestic US carriers of which Southwest is undoubtedly the most remark-

The move towards more 'open skies" has also inten fied the trend towards greater collaboration in an increas ingly global industry. British Airways is one of the airlines to have taken the lead in devel oping a global network through alliances and equity northerships including taking stakes in USAir, Quntas, the French regional carrier TAT and its new Deutsche BA air-line subsidiary in Germany.

After the failed attempt last year by four medium-sized European airlines including Swissair, KLM Royal Dutch Airlines, Austrian Airlines and Scandinavian Airlines System (SAS), these European carriers have continued to seek commercial partnershipe strengthen their competitive position against the big carri-

Many airlines have still been eluctant to take the BA route of investing in equity stakes in other carriers. Instead, they have sought to expand their international reach through marketing and commercial partnerships. This has increas-ingly involved the use of ticket code sharing which enables two carriers to use their respective ticketing codes to simplify computer reservations and cut costs.

With the industry's centre of gravity moving east, interna-tional airlines have also been multiplying efforts to form alliances with carriers in fast growing markets such as China or India anxious to secure western expertise to develop internationally. Singa-



pore Airlines, for example, is planning to form a new joint airline venture in India with the country's biggest industrial group, TATA industries. In China, Singapore Airlines and BA are actively discussing possible links with Chinese carriers in a civil aviation market developing at break-neck speed with annual growth averaging 20-30 per cent in the past few

But the industry's problems are not only financial, although as Mr Jeanniot of IATA emphasises, "the overwhelmingly urgent issua" remains airline profitability. Some progress has been made

improving air traffic and airport congestion, and increasing political awareness on the long-term risks of inadequate continued growth of international air travel.

Without a stepped up commitment from governments to invest in new ground and air traffic control facilities and technologies, the danger is that not only will future air travel growth be clipped but competition will continue to be distorted by preventing new industry entrants from gaining the necessary access to busy airports and airplanes,

Michael Donne examines the regional industry

### **Better times ahead**

European regional aircraft manufacturing industry has been suffering from a severe shortfall in orders as a result of the recession which has bitten deeply into airline balance

That, in turn, has led to curtailed aircraft re-equipment programmes, resulting in reduced aircraft production rates and labour layoffs as a

But while the market remains difficult, and highly competitive, there are signs of better times ahead. Airlines this year are expected to return to a collective profit, albeit a slim one of about \$1bn world-wide, which by no means compensates for the \$15.6bn losses on international scheduled services alone over the past four years. Moreover, the long-term fore-

casts indicate that as the recession fades, traffic growth is likely to be resumed at an average of around 5 per cent a year through the next 10 to 20 years. This, in turn, is likely to

result in a renewed demand for regional aircraft of all types jets ranging between about 50 and 120 seats, and turbo-propeller airliners up to about 70-80

Avro International, the regional jet airliner manufacturing subsidiary of British Aerospace, is forecasting a demand world-wide for 3,000 jets in the 65-120 seat range over the next twenty years, to 2013. Smaller jets, such as the Canadair RJ of around 50-plus seats, will also have a share of the market.

Such a market could ba worth in excess of \$60bm.
This forecast is generally agreed by Boeing of the US, which builds the 737 series of short-range twin-engined jets (with more than 3,000 sold to date in nearly 30 years of ser-vice) and is now planning not only a new series of 737s but also a "new small airplane",

now being defined in detail.

These forecasts are based on the fact that many current trends in the air transport industry provide opportunities for the growth of the regional aircraft market.

Underneath the main medi-um-to-long-range trunk-line routes there is a vast network of complementary "commuter and feeder" operations linking hundreds of smaller towns and cities with each other as well as with the major "hub" airports in capital cities. These are mostly short-haul flights, ranging from about 250-300 miles.
The European Union's
"Third Package" of aviation
liberalisation measures, intro-

duced on January 1, 1993, including freedom of market entry and access to new routes, is still in its comparative infancy (unlimited "cabotage" – the right to operate unfet-tared services in other countries than one's own - will not become effective until April 1, 1997), but it is clear that as the recession fades and traffic grows, the larger airlines operating from the main hub airports will require increasingly frequent regional services to feed them.

In turn, short-haul regional routes are increasingly being seen as a specialist operation. ays Avro: "There is already a nificant move towards large airlines divesting the regional networks to affiliated carriers operating small regional.jets, such as the R.J. Avroliner famwhich can provide more efficient and profitable services

on the shorter, thinner routes.
"At the same time, congestion at the major hubs will stimulate traffic growth at the smaller airports. Hub by-passing services will increase, and this again will lead to greater demands for regional jet air-

Older aircraft types with significantly higher maintenance costs, lower productivity, and inability to meet increasingly stringent noise regulations will be phased out of the regional routes, even allowing for some reengining and 'hush-kitting'. This will lead to an increasing demand for new and more efficient

vro says that the largest market for regional jets will continue to be North America (42 per cent), followed by Europe (21 per cent), and Asia/Pacific (15 per

However, the big problem confronting all the regional jet and turbo-propeller aircraft manufacturers is that the sup-ply of available types is already vast, and far more than the market can really

intense competition among manufacturers will become fiercer, with some builders perhaps being forced to quit the market, which no one really wants to see – the airlines like to have a wide range of choice in their equipment purchases. The alternative is for a

rationalisation of the manufac-turing side, through new joint ventures supported by mergers or other forms of strategic alliances in the industry.

Some have already occurred

for example, the 51 per cent
stake in Fokker of Holland
acquired by Deutsche Aerospace (DASA) of Germany and over the funnediate future there may well be further sig-nificant realignments in the industry's overall global struc-

Aerospace suggested that British Aerospace, together with Aerospatiale of France and Alenia of Italy, could be offered stakes in Fokker, as a step towards forming a European regional jet manufacturing consortium, particularly targeting new projects for the future.

Such a move would safeguard the continued development of those existing companies' product lines - the Avro RJ series and the Fokker 100 and smaller Fokker 70, and the turbo-propeller ventures of BAe (through Jetsiream) and

of Aérospatiale and Alenia through Avions de Transport Regional (ATR). It would also seek to avoid conflict with Airbus (in which DASA, Aérospatiale and BAe are all partners), which is itself marketing vigorously its own 130-seat A-319, due to enter service in the spring of 1996.

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The prime objective of such a new European consortium, were it ever to materialise, 110-seat aircraft, called the Future Advanced Small Airliner (FASA), which would be designed to compete directly with Boeing's own New Small #Inere's a

Airplane (NSA) project.

Boeing has begun detailed studies on the NSA, in co-operation with Japan Aero Industry (JAI) and China National Aero-Technology Import and Export Corporation (CATIC), with a view to an eventual joint venture that could seize especially a signifi-cant slice of the rapidly expanding Asia/Pacific regional jet aircraft market.

Also on the international front, Aérospatiale has offered to join Chinese and South Korean companies in developing a 100-seat regional jet for the Asia/Pacific market. At the same time, although earlier talks between Avro and Taiwan Aerospace on collaboration failed to get off the ground, both companies remain interested in the rapidly growing Asia Pacific mar-

But because of their already strong background in the regional aircraft markets, the possibility of a significant consortium of European companies emerging with global com-petitive capability should be taken seriously, especially if widened to include other European aircraft manufacturers, such as CASA of Spain and SAAB of Sweden.

Linked in such a way, the European industry could prove a powerful competitor for Boeing. The Europeans already have immense experience - collectively they meet virtually every regional airline need from small 10-seat twin turboprop airliners up to 100-plus-seat twin-jet aircraft.

tion, and many of the compa-nies involved are looking ahead with new ideas for either product improvements or entirely new aircraft mod-

The problem in setting up any new consortium would be cial contributions, but also to what extent each partner would be prepared to sacrifice cherished individual concepts in favour of united ventures. Many in the European aero space industry believe that

putting together such a consor-tium is the only way ahead, and the abandonment of some concepts, however painful, is to be preferred to a continuation into the next century of the fragmented activities which could lead to negligible individual market shares and the likelihood of profits for no-





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imes have rarely been tougher for the makers nf military aircraft. In western domestic markets. manufacturers are being relentlessly squeezed by reduced military spending on the one hand and escalating development costs for the next generation of equipment on the other. Export markets are also shrinking, because traditional Gulf states buyers are also short of cash

What is worse, now the cold war has ended, few western countries have a clear idea of the threat which the next generation of advanced aircraft will have to meet. As a result, many aircraft development programmee are helug stretched and there is increasing doubt about whether some aircraft under development will ever enter service. Perhaps the safest of all pro-

ammes in this shaky situation is the F-22 US air superior ity fighter. The aircraft has been under development for the past five years by Lockheed and Boeing and is designed to be a Mach-2 radarevading "stealth" aircraft which will guarantee the US command of the air up to 2020. Since air superiority is seen as vital by the US - a view confirmed by the Gulf War - the F-22 has strong backing from the air force, the Pentagon, and, crucially, from Congress.

Because dominance of the air is seen by the US as an end in elf, few question the threat the F-22 will have to counter or the vast \$71bn cost of producing the 442 air interceptors.

ahead





The British Aerospace Hawk 200 is equipped with wingtip Sidewinder air-to-air missiles

Bernard Gray discusses the dilemma faced by defence departments and manufacturers of military aircraft

## Battle is on to design fighter of the future

naval fighter to replace the F/ A-18 scrapped, the department of defence is considering a carrier-based variant of the F-22 instead. And as the F-111 long-range etrike aircraft is being retired early in 1996, the F-22 is one possibility to undertake that kind of air-to-ground

strike mission. Despite the crash of one of ment is proceeding well. Work remains to be done in reducing the aircraft's weight and improve its stealth, but the programme is progressing

Lockheed, which has twothirds of the project now that it has bought General Dynamles' tactical aircraft business, has yet to decide whether to

one site, or continue development at Fort Worth in Texas and at Marietta in Georgia. While working on one site might he more economical. Texas is an important state politically and Georgia is the home of the leader of the Senate armed services committee. The company will thus have to balance politics against economics in deciding the future of the programme

In Europe, there is less certainty about the future of next generation fighters. Eurofighter continues to be dogged by worries about German commitment to the project - worries which are unlikely to he resolved until after the federal elections this autumn.

If Germany does reduce its order for Eurofighters, there will be some difficult negotia-

tions about how work in the production phase should be split between the British, German, Italian and Spanish partners. Germany would not be entitled to the third of construction work it was originally allocated if it orders fewer than the 250 Eurofigh-ters it indicated it might buy or even the 140 recently

The UK may even strengthen its hand by ordering more than the 250 it originally signed on for and buy another 100 fighters to replace its Tornado interceptor fleet. However, transferring the tooling from German factories to other partners might be uneconomic and an alternative solution may have to be found.

Potentially more damaging is the worry that uncertainty

over the German position could delay the programme further, increasing costs and, if the in-service date slips, reducing the Eurofighter's technical edge over potential rivals. As one US industrialist said, Eurofighter is a good aircraft,

Few countries have a clear idea of the threat facing the next generation of aircraft

hut they really must get on and huild it before it dates." Cost concerns on such collahorative programmes are also worrying governments. While the partners want to spread the development costs by working together, duplication of effort and progress at

the pace of the slowest dulls the benefits. A British government official said that he would be surprised if any of these collaborative programmes had saved money over a solo development project in the end.

France and Sweden have avoided the pitfalls of collaboration by going It alone with their Rafale and Grippen fighters, but they have their own problems. Exports will be difficult for either aircraft since it will be in service with fewer air forces than the Eurofighter.

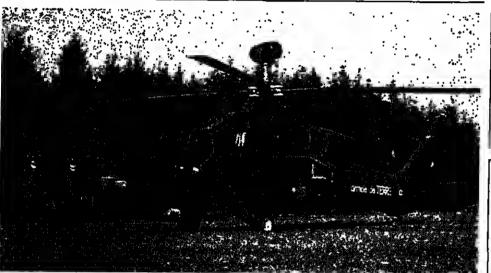
If times are tough in fighter aircraft, they are scarcely easy elsewhere. The US has stopped production of its B-2 stealth bomber at 20, though Congress has voted \$100m to keep the production line open for

Northrop-Crumman, the aircraft's manufacturer, has offered to make a further 20 aircraft for a bargain \$595m each. While this is less than the \$850m which the first 20 cost, it may not be cheap enough to make a cashstrapped department of defence open its wallet.

Another over-hudget Californian aircraft is also in trouble. The C-17 strategic jet transport aircraft has already cost its maker McDonnell Douglas about \$1hn in cost overruns. The department of defence has suggested building 40 aircraft and then evaluating its performance with a view to building the 120 originally planned. But at almost \$300m each, the aircraft is hideously expensive. The C-17 must pass a monthlong examination next year including simulated operations under war conditions - if it is However, as California will be a key state in the 1996 presidential election. President Clinton will have to think long and hard before scrapping the pro-

In Europe, the debate is over tactical military transport with a consortium that is likely to come under the Airbus aegis keen to develop a replacement for the Hercules. The Future Large Aircraft would be able to carry larger loads than the Hercules and would fly faster, but would also cost more. Estimates of its development costs run from £2hn to £5bn, and while continental countries are enthusiastically promoting the idea, full funding is not yet in

Perhaps unfortunately, the FLA's first battle is against the new C-130J Hercules to replace the RAF's existing fleet, With Britain lukewarm ahout the project, it is an uphill climb. But with military budgets likely to be under pressure everywhere for the foreseeable future, it is the kind of battle that aerospace manufacturers worldwide are going to have to get used to.



Bernard Gray looks at the market for helicopters

# There's a lull in the life of a cottage industry

The cuttage industry of choices. In Europe, the devel-helicopter manufacture has opment of three helicopters is had as much trouble as the rest of the aerospace industry in recent years. With threequarters of all production des-tined for the military market the fall in weapons procurement has taken its toll. Particularly so since the US military, lnug the must enthusiastic devntees of the belicopter as transport and weapon, had filled the bulk of their Apache attack programme and were in any case headed for a lull.

In the civil market, the recession in Europe and the US has taken its toll on orders, too. Corporate executives cutting staff can hardly be seen ordering the new executive aerial runzbout

As a result, the helicopter business, which has persisted as a slightly quirky specialism running at steady if unspectacular volumes from traditional sites, has experienced the kind of inil, and inevitable retreuchment, which it had avoided for many years.

But because almost all manufacturers are owned by large conglomerates, there has not yet been the rationalisation seen in many other aerospace sectors. There are still seven principal helicopter makers -Eurocopter, Westland and Agusta in Enrope and Bell Textron, Sikorsky, Boeing and McDonnell Douglas in the US. Even the one which was put up for sale, McDonnell Douglas's helicopter nperatinu which produces the very successful AH-64 Apache, was eventually withdrawn from the market due to lack nf

Nor is it at all clear that further consolidation is close. One industry executive points out that while the businesses are individually small they mostly occupy separate niches. The only company to change hands, Westland, lost its independence to GKN, the antomotive engineering company, rather than another belicopter maker. If there is to be consolidation of the number of manufacturers, that may well be as a result of changes in corporate strategy by the parent companies, rather than conditions in the belicopter market.

Nonethcless, conditions in the market mean that parent companies and governments sponsoring belicopter development face some difficult placing great strain on government budgets. The Westland-Agusta EH-101

large helicopter has perhaps the safest future. It has a production contract for 44 antisubmarine warfare naval variants from the Royal Navy, and looks certain to get a further order for 25 utility transport versions from the Royal Air Force later this year. The Italian government is also due to order some, and interest has come from potential export markets, notably from Sai Arabia, which is interested in the ASW variant.

The other two helicopters being designed by European

Parent companies and governments sponsoring helicopter development face some difficult choices

teams face a more uncertain fate. The NH-90, being designed by the Franco-German Eurocopter group in col-laboration with Italy and the Netherlands, is a smaller utility helicopter which would transport about 20 troops. There is a market in replacing ageing Puma and Sea King transporters, but the development costs are high, and there are several competitors.

The Tiger attack helicopter

also addresses a strong market as more armies move towards the US doctrine of integrated air-land battle, with helicopters and tanks working in tandem. However, it too faces strong competition from the Apache and, for armed forces looking for something a little cheaper, the revamped Bell Cohra Venom with a new glass cockpit made by GEC-Marconi. With defence budgets stretched both the NH-90 and the Tiger may not make it into production.

In the US, Boeing will continue to hold the niche for very large helicopters with the Chinook, not least because the cost of developing an alternative would be prohibitive. Bell Textron also look likely to keep their strong position in light helicopters.

But McDonnell Douglas will have to continue to evolve away from its dependence on the Apache, and Sikorsky cannot be entirely sure of the future of the next-generation

attack helicopter. At present the Comanche has firm political backing, but if the budget squeeze gets much worse, the Comanche may come under pressure from the Apache.

The V-22 Osprey helicoptercum-prop-aircraft also has strong backing, but the future of several of the helicopters, and the fate of their manufacturers, will rest nu procurement decisions in the next few years. In particular, the race to replace ageing US marine fleets will be important.

In Europe, too, there are several important procurement decisions pending. Most promi-nent, and immediate, is the UK's requirement for a £2bu programme of 91 attack helipters. Here the competition is between the Apache, which would be manufactured under licence hy Westland, the AH-1W Cobra Venom with the GEC-Marconi glass cockpit, the Tiger with British Acrospace participation, and the South African Rooivalk. The Apache has long been

the front-running favourite with the British Army, but it ls probably also the most expensive helicopter, both in purchase price and throughlife costs. The Cobra Venom is cheaper and the new cockpit is a great improvement on the old Vietnam veteran version, but it is only a twin-bladed e, and its weapons load

is thus limited. The Tiger is also smaller than the Apache, and while it is the newest technology, it is also relatively expensive and will struggic to carry the full weapons compliment specified by the ministry of defence. The Rooivalk is almost certainly the cheapest option to buy, though its avionics may need such radical updating that it is not really a viable option.

Because the order is one of the largest to be placed for attack helicopters in the next few years, it will have a significant impact on the market. If the Apache wips, McDonnell Douglas will have longer to develop future alternatives. If the Tiger wins, Eurocopter will have made the breakthrough it has been looking for. The Bell Cobra would give GEC-Marcnni an excellent opportunity to extend its range of glass cockpit avionics, and the Rooivalk would give South Africa a huge boost in international arms markets.



# Everyone is aiming to get smart

oured thinking in most areas of military doctrine. So much so that the sales pitch pow chanted by all arms dealers is that their products were vindicated in Opera-

tion Desert Storm.
Of those systems which genuinely had their reputations enhanced, stealth technology, while expensive for most nations, was a worthy runner-up. The clear winners, however, were guided weapons. Pictures of precisionguided "smart" munitions not only impressed the watching taxpayer, they also made an impact on force commanders under pressure to keep casualties at a minimum.

Some watchers are now so enthusiastic that they think guided weapons will take over from traditional ordnance. The way ahead is definitely with smart weapons," says Kent Kresa, chairman of Northrop Grumman. "Given the desire to protect troops, I can't see the US ordering any

Yet, while the idea of using guided missiles is popular, the overall pressure on all western defence budgets is still making life tough for missile manufacturers. In the UK there is interest in developing a long-range conventionally armed air-toground missile, but it remains to be seen how much funding is available for the project.

The US is also keen on advanced technologies and is still pursuing scaled down "star wars" anti-missile missiles through its theatre ballistic missile defences. Projects such as Lockheed's Theatre High Altitude Area Defence (THAAD) missile have received backing and THAAD has a four-year \$689m developme contract. Yet, even in the US missile manufacturers are having to adjust as procurement spending falls.

As elsewhere in the defence industry, rationalisation and merger are seen to be the way to cope with the downturn.

eding more smoothly in the US than Europe. In a typi-cal deal aimed at reaping the full benefits of rationalisation, Hughes acquired General Dynamics' missile business, and then consolidated all manufacturing on its own site in Tucson, Arizona, and closed General Dynamics factories in southern California.

In the US, Raytheon and Hughes lead the pack while Martin Marietta and Lockheed are still involved as missils manufacturers, but beyond that it is by no means clear how many groupings will survive. Construction of some systems is still split between several companies, increasing overheads. Whether the market can sustain more than two or three mainstream missile makers is questionable.

In Europe, the ontlines of essible mergers are beginning to become clearer, but progress is still painfully slow. Much collaboration has been on specific programmes, for example

Aerospace Trigat anti-tank missile. But such collaborative ventures tend to suffer from many of the disadvantages of It is more difficult to see how the electronics manufacturers

high overheads and compromise designs. Still, since mis-siles contain some of the hightechnology under development, countries are reluctant to release control for national security reasons as well as industrial concerns. There are talks about whole-

sale mergers, some of which

en mooted for a long

time. British Aerospace's negotiations with Matra continue unahated, while hints of a merger between Aérospatiale's and Deutsche Aerospace's missile businesses gather pace. In part, these mergers would belp cut out duplication in research and development, and would cut down on the high level of cut-throat competition which has hurt profit margins. It may also be a prelude to e grand missile merger of both groups to form a European missile giant which could be capable

solidation ettempts. Companies

with product lines in third or

even fourth place in their cho-

sen market place have been

forced to either quit the field

or seek an alliance in an

attempt to strengthen their

and treasurer at Honeywell,

which is e supplier to both the military and civil aerospace

markets, said: "What we have

seen over the last few years is

a need for each supplier to be a

leader in its specialised field. You have to be a leader in

technology with a reputation

He acknowledges that size

has become the critical factor,

and says it is not only useful in

also suggests it is the bigger

of the customer.

Mr Paul Saleh, vice-president

of developing the kind of ballistic missile defence systems some European countries are starting to covet.

for missile systems - compa nies such as GEC-Marconi in the UK and Thomson in France - fit in to such a grand scheme. It may be that by pro-viding sophisticated specialised equipment, such as sensors, to a range of missile makers worldwide, they can gain sufficient scale to remain viable in their current form. Equally, there may he a horizontal merger between electronics companies to produce a large sub-system supplier. But the

ple, seems to have faded. Other ways of cutting costs in the hostile environment are also being tried. Efforts are being made in Europe and in the US to cut costs hy transferring technologies between missile systems, Unfortunately, adapting equipment from

Avionics: **Joel Kibazo** on the move by companies to restructure operations

Size is the critical factor

idea that GEC-Marconi might

take over BAe Dynamics, for

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vive in the missile business. In

the UK, there is e need for a

long-range stand-off air-to-

Cruise missile under construction: a clear winner in the Gulf War

air-to-air missiles for use in ship-to-ship combat is neither as easy nor as obvious as it might appear. The conditions under which the missiles have to operate vary so much that e weapon optimised for condi-tions on the wing of e Mach-2 fighter may suffer badly when exposed to corrosive sea spray. As with so many areas,

ground missile based on the Gulf War experience. A new medium-range missile is needed for the Eurofighter, and a short-range anti-armour air-to-ground missile for the Harrier is under consideration. A range of anti-armour and antiship weapons are being develsions on procurement will oped in continental Europe and determine which companies gain the upper hand in merg-ers, and indeed, which can surthe US is considering a new short-range air-to-air missile.

Unless individual countries are prepared to allow transfer abroad, and it remains one of the most sensitive cutting edge technologies around, Europe will continue to pay higher prices for fewer weapons than the US. Rumour suggests that the long-awaited BAe-Matra merger may be announced at Farnborough, as a 50-50 joint venture and a Frenchman in the chair. If it happens, it will not be a moment too soon.

missile manufacturing

The twin forces of recession and cuts In defence spending have forced consolidation and restructuring on the world's avionics and component suppliers.

The end of the cold war led western governments to reduce military spending. In civil aviation, the prolonged recession. and the Gulf War not only decimated the tourist industry sharply reducing passenger numbers, but coincided with a glut in airliners coming off the production lines. Although airline traffic has started growing again, several bundred aircraft

remain parked in the desert. It was thus only a matter of time before manufacturers of components and avionics, the next tier down in the supply chain, would be forced to share the burden. Customers have not only been pushing for cost reductions among the suppliers but have been demanding more sophisticated products and reducing the number of suppliers with which they have to deal.

The sector's response has been consolidation and restructuring which some say is similar to one seen in the

automotive industry e decade

Much of it has taken the form of mergers and acquisi-tions though strategic alliances have not been far behind, bringing together once bitter competitors, with cost and risk sharing being a prime mover in the drive for market leader-

Examples of companies moving in that direction include Smiths Industries of the UK which formed an alliance with its competitor Rockwell International Corporation of the US three years ago, to provide full flight integration system. Some saw this as an attempt by the new group to compete with Honeywell, the US electronic control systems group which is the market leader in that field. Honeywell has in turn formed an alliance with two UK companies; one with Racal on satellite communications systems and another with the GEC on the fly-by-wire systems.

But not all proposed alliances have been carried through and this year the biggest disappointment has been the failure of the proposed merger between France's Sex-

tant-Avionique and Allied Sig-nal of the US. The deal would have made the combined group number three in its field. But where a merger or alliance has been successfully carried out, manufacturing improvement initiatives have been introduced and new technologies

The restructuring in the sector began in the United States, the world's biggest aerospace market, and the first to face the chill winds of recession and the first wave of defence

Deals by prime contractors such as Martin Marietta's acquisition of General Electric's aerospace division in 1992 and General Dynamic's sale of its missiles subsidiary to GM Hughes in the same year were cited as the trigger for a similar shake-up or "re-engineering" among the suppliers. The search for market leadership has usually been the driving force behind the conever increasing development costs. "This is a global market that is becoming more competitive and there is little room for marginal participants," he

> r Saleh highlighted a new move in the restructuring process, that of "ont-sourcing" of a complete part of the production process, to the supplier. This he believes will become increasingly prevalent among suppliers to the civil sector in which change has been slower than on the military side, due in part to the small number of blg manufacturers, McDonald Douglas, Airbus, and Boeing.

for delivery and have the trust Earlier this year, Boeing provided the biggest example of "out-sourcing" to a supplier with its decision to hand over terms of economies of scale but the complete manufacturing and integrating of the flight companies that can afford the deck system on its new 777 airliner to Honeywell The move was not only seen as an ettempt to meet customer induced cost cuts but

was hailed as a first in "working together with the customer" by suppliers. It is also seen as a possible indicator of the next level of restructuring as Honeywell attempts to push. costs of its suppliers lower. European companies have been no less ready to meet the

challenge of the new harsh environment and analysts have pointed to possible cost benefits of between 10 and 20 per cent from restructuring the Lucas Industries, the automotive components and aero-

space group, is cited as an example of a company that is ettempting to become a world leader among European suppli-

Mr Frank Turner, managing director of Lucas Aerospace,

said: "We took a look at what was happening in the industry and at ourselves and decided we had to do something if we were to remain in the game."

The company has gone all out to transform itself from a component supplier to the aerospace industry into a systems integrator. As part of that plan it paid £18,9m a year ago to acquire TI Group subsidiary Dowty's fuel control business and in June signed a joint venture agreement to establish a repair and overhaul facility for engine and flight control systems in China.

But it is 1993's merger between Dowty and Snecma's Messier Bugatti of France to form a world leader in landing gear that many have pointed to as the clearest example of the restructuring that is taking place among component sup-

pliers in Europe. Mr Tony Edwards, chief executive of Dowty Aerospace, said: "We wanted to be a world player in landing gear so we align ourselves to achieve that goal. We sold those businesses there we could not be a global

However, analysts say simi-

lar deals will be more difficult to achieve. They point to nationalism - the wish to retain a particular industry in e country - and sensitivity to national defence interests as two factors that may act as a brake on restructuring. Thus alliances, rather than straightforward mergers, may be the route for European companies wanting to compete with the giants of the US.

But Mr Paul Compton, aerospace and defence analyst at Credit Lyonnais, believes joint ventures are of less benefit than full mergers as national . interests tend to intervene especially on decisions such as a reduction in staff numbers. Thus, he said, the very nature of e joint venture was likely to create inefficiency.

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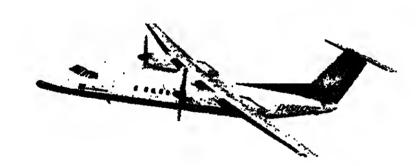
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He concluded: "The US sector is almost twice the size of that of Europe and what is more it is homogenous and thus does not suffer from nationalistic barriers, Europe will have to decide whether its nationalistic differences can be forgotten in a bid to form left behind in a key werld industry."



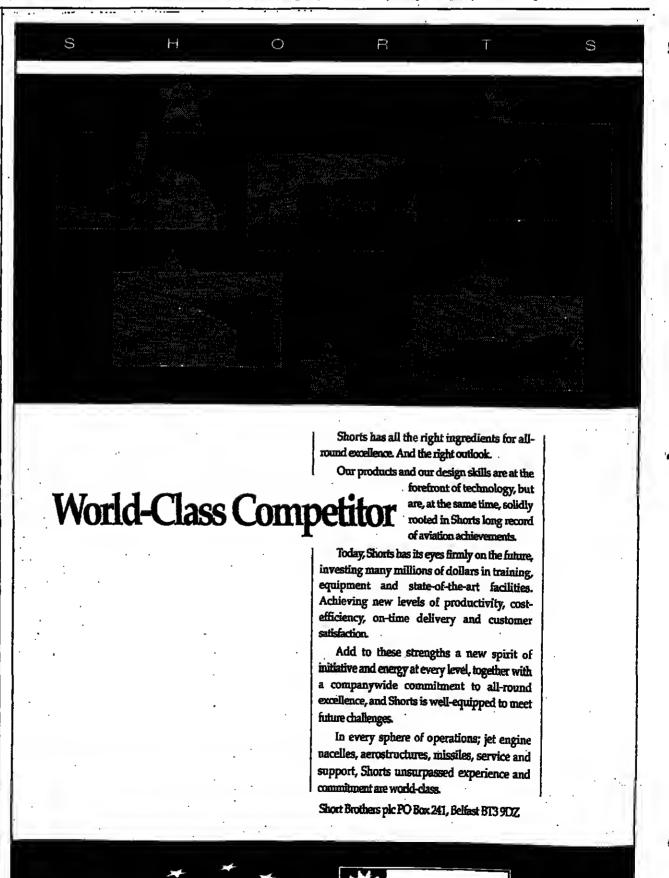
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### The race is on to build the big 'un

The world's two leading account for 50 per cent of replace Concorde will need the commercial aircraft manufacture world air traffic," says Claude broadest possible international turers - Boeing of the US and the European Airbus consortium - have been stepping up the pace in their efforts to meet what they believe will be the next big challenge for the industry: the development of a new generation of super jumbo airliners capable of seating 600-800 passengers and possible

For the past two years, Boeing and the four Airbus partner companies including Aérospatiale of France, Deut-sche Aerospace, British Aero-space and Casa of Spain have been conducting joint studies on how to develop and market together B Very Large Commercial Transport (VLCT). But the two sides have also remained deeply suspicious of each other and have continued to pursue their own studies in event their ambitious VLCT collaborative project col-

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% = \*.-

So far only two airlines have said they would be prepared to commit themselves to buying e super jumbo. Not surprisingly, the two are the world's most profitable carriers. Singapore Airlines and British Airways. However, most other international carriers, still struggling under the burden of financial losses and debt accumulated during the industry'e worst post-war recession, have been reluctant to express anything more than a vague interest in a large capacity airliner which is likely to cost them around

That has not deterred the two manufacturers on each side of the Atlantic to pursue their studies. They believe that in the longer term there will be e requirement for around 300-500 super jumbos in the next century. They see these extra large aircraft as providing a solution to increasing congestion et busy international airports and air routes at a time when air travel is expected to continue showing steady expansion and in some areas in the Asia-Pacific region

vigorous growth.
"We think a big aircraft is necessary to cope with traffic growth and congestion at airports, especially when you consider that 33 airports alone eration supersonic airliner to

world air traffic," says Claude Terrazzoni, head of the commercial aircraft division of Aérospatiale, the French Airbus partner.

Sir Colin Marshall, BA's chairman, explains that a super jumbo would help the UK carrier tackle some of the growing congestion problems at its London base of Heathrow. It would also give BA the opportunity to offer new ser vices for passengers. BA has already made its own design studies for the configuration of such an aircraft, including the introduction of inflight husiness offices equipped with faxes, telephones and personal computers, e cinema-style

So far only two airlines have said they would be prepared to commit themselves to buying a super iumbo - Singapore Airlines and British

inflight entertainment room, and even a work-out section

**Airways** 

for fitness addicts. "We see the use for such an aircraft on Far East routes, Australasia services and across the Atlantic," Sir Colin says. "And we would be willing to go forward with e new aircraft of 600 seats offering the same long range but also 20 per cent lower operating costs than the Boeing 747-400," he adds. Jean Pierson, the Airbus chief executive, believes there will be demand for e very large aircraft by the turn of the century. "By around 2002, atrlines will have to consider replacing their existing 747-400 fleets," he explains.

But both Boeing and Airbus agree that there is unlikely to be room in the market for more than one new super jumbo project in view of the programme's heavy development costs estimated et around \$8bn-\$10bn. This was the main reason behind the decision of Boeing and the four Airbus partners to consider collaborating in the same way as US, European and Japanese manufacturers believe that the eventual development of a next genco-operation

Although Boeing and the Airbus partners have pursued their joint VLCT studies, there have been growing signs of tensions emerging between the two sides and strong possibilities that they will ultimately decide to part ways.

Airbus has become increas-

ingly worried that Boeing is using the joint studies as a tactic to delay the European consortium's entry into the very large aircraft market and challenge the US company's traditional monopoly of this sector with its 747. The Airbus theory is that Boeing is in no hurry to launch a new large aircraft development programme at e time when its hands are already full with other projects including its new 777 widebody twin-engine eirliner, the renewal of its 737 family of narrowbody twin-engine airliners and the development of a cargo version of the 767.

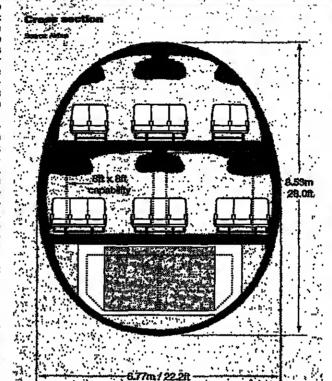
Boeing has clearly been anxious to protect its dominance of the top end of the market and has maintained close contacts with airline customers. Apart from the joint studies with the Airbus partners, Boeing has been considering developing a bigger version of tha 747 with a new wing. It has also been studying the development on its own of a new very large aircraft.

With increasing signs that Boeing's preferred option is to build a bigger derivative of the 747 and that the Seattle manufecturer is already quite advanced with its studies, Airbus recently decided to step up its own efforts to develop e new 500 to 600-seat jumbo, the

"You simply cannot afford to be out of such an important segment of the market if you want to remain a leading aircraft manufacturer," says a senior Airbus official. All manufacturers expect the top end of the airliner market to become increasingly important with aircraft of more than 400 seats accounting for more than 40 per cent of the value of the civil aircraft business in the next 20 years.

"We must give Boeing the





Airbus will develop its own jumbo if Boeing decided to go it alone with a bigger 747," adds Louis Gallois, the Aérospatiale chairman.

This has prompted the Airbus supervisory board to give the consortium the go-ahead to start marketing in September its new A3XX jumbo to a selected group of international airlines after the Farnborough strongest possible signal that Air Show. The Airbus plans

involve an aircraft with two decks running the full length of the fuselage, powered by four engines and would have a range of 7,000-8,000 nantical

With the probabilities increasing that Boeing and Airbus will ultimately decide to go their own separate ways in the jumbo market, the race is now on to build the world's biggest

Michael Donne on a successor to Concorde

### SST-2 is still far away

The devalopment of a econd-generation supersonic airliner to succeed the Anglo-French Concorde depends on two factors - satisfactory financing and produc-tion arrangements and solving the outstanding technological difficulties, especially those affecting the environment.

Few doubt that such an aircraft will eventually emerge, although it is now eccepted that its likely birthdate may be around 2010 to 2015.

been in service with British Airways and Air France for nearly 25 years, so that every year thereafter heightens the possibility of either a diminution of existing supersonic ser-vices as Concordes age and are "cannibalised" for spares, or a gap of some years before e suc-

Despite the aerospace industry's desire to start developing a successor, there is little enthusiasm for such an air-craft among the world's leading airlines, faced as they are with their cumulative losses of more than \$15bn over the past four years. They are more inclined to spend their available cash on airliners that are more likely to meet mass mar-ket demands, help reduce congestion and generate profits, than on second-generation supersonic transports. As a result, they are far more interested in a new subsonic 500plus seater, the so-called megajumbo, than a second-generation supersonic transport. Moreover, the airlines

remain suspicious about the financial and environmental acceptability of an SST-2. The two airlines flying Concordes, British Airways and

Air France, have made it clear that while they may be interested in the long-term in any SST-2, they want to be absolutely sure that such an aircraft is profitable to buy and fly from the start, and totally acceptable in every way to the communities it will serve. They are keenly eware that government-imposed environmental constraints upon the airlines and aerospace industries are likely to become even more stringent in the next century, and such an aircraft, may well face environmental constraints that have not yet even been defined.

The SST-2 research so far has been concentrated on an aircraft seating 300 passengers (against Concorde's 100), with e range of about 5,600 to 6,000 nautical miles (against Concorde's 3,000), and a speed of around about 1,500mph.

Despite the undeniable edvances in research into supersonic transport technology since Concorde first went into service in 1976, especially By 2000, Concorde will have in the reduction of nitrous oxide emissions (N0x), the lat-

ter remain e problem. There is also still no answer to the sonic boom created by large aircraft flying at twice high altitude. This means that future supersonic services would still be largely restricted to over-ocean routes, with subsonic flights over land masses. This, in turn, means that interest in such aircraft is likely to be confined to those airlines with a substantial number of

> flights in their overall operational patterns. There is also the problem of development cost, likely to be between \$8bn-10hn, or about the same as the cost of any snhsonic megajumbo. It is donbtful wbether aerospace industries could finance both developments in tandem.

long-distance over-ocean

lthough demand for the megajumbo may be limited – with perhaps only e score or so airlines likely to support it initially - Its ulti-mate market seems likely to be significantly larger than that for a second-generation SST. The airlines believe that the subsonic megajumbo is more likely to improve their battered balance sheets.

Another reason for airline cepticism about the SST-2 is that while much technical research is under way, especially in the US through the government-sponsored National Aeronautics and Space Administration, there is still no sign of a coherent and practicable design, develop-ment, production and marketing plan for such an aircraft. While theoretically the airlines might prefer to have com-petitive designs from which to

choose, industrial and financial logic dictates that one common design would stand more chance of economic and technological success.

But any kind of agreement on such e formula oppears to be a long way off. There have been wide-ranging international discussions between the US manufacturers, Boeing and McDonnell Douglas, and their European counterparts, British Aerospace, Aérospatiale, Alenia of Italy and DASA of Germany, with both Russian and Japenese compenies also involved, on the possibilities of an eventual joint venture.

At the same time, however, the US and European companies have also been pursuing their individual studies.

The balance appears strongly to favour the US et present in terms of government financial involvement. Hundreds of millions of dollars have been, and still are being pumped into aeronautical research through NASA's own high-spend research programme, and by the leading engine and airframe manufacturers. There is no comparable coherent programme in Europe.

Concerned at this situation, the leading European manufacturers earlier this summer told their respective governments and the EU that some level of state and/or community input to help research into a Concorde successor was essential, so as to ensure that Europe did not fall behind the US. So far, however, there has been little sign of any such cash support. Any single SST-2 venture would also probably have to be global anyway, to ensure the widest spread of costs and the biggest possible market. Whether US anti-trust laws would permit such an alliance remains e significant query.

Demands for cash to finance the renewal of much of the existing ageing subsonic fleet are already heavy, and will escalate as traffic grows and fleet expansion becomes imperative. Lenders other than governments seem more likely to favour the procurement of a subsonic megajumbo, offering some guarantee of successful financial returns, than any SST-2 venture.

#### THE HAWKER 1000. NOW DEPARTING FROM SMALLER,

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Please axcose the axoggereties, but we're jostifiably preod of the Hawkar 1000's sobsteutielly impreved tako-olf perlormence. Since we ocquired tha Hawker program, we've discovered this nircralt is cepeble of goits a bit more thon its prigioal certificatian indicates. Coasider a trip to

New York from Caaass, is southera France, where the rueway is jost 1550 m lang. In 30°C waether, the Hawker 1090 can take off with 862 kg

fuel theo before. Which translates lete 580 nm of additional rengo." Which mones the joorney to New Yark, with eight passeogers eu beard, can be completed with jest one stop. Thooks to the Hewker's eew bigh-bet perfermacco, yes ces take off from Riyadh,

Saedi Arabia (which is ever 6t8 m ebove sae level) at 40°C and fly coostop to Romo, italy wilb eight passeogers.

Small airports oll ovar tha world are now accessible. Short roeweys ee longer present limitetious. The Hawkar affords you greater

versetility than ever holors. Aleng with the cabin space to make loeg joorgeys comforteble eed productive. Find oet more aboat the Howkor 1006. The husioess jet that con take elf end leed anywhora. Nell, nimost anywhere. Cell Roythoos Corporoto Jats is the U.K. at (+44) (0) 707 253333

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(581) 399-4168. Or fax as in the U.K. et (+44) (0) 707 253379 er in the U.S. et (+1) (501) 371-0403.

BUILT LIKE NO OTHER BUSINESS JET ON EARTH. Paul Betts looks at spaceflight

### Satellites the top priority

On Sunday, July 20, 1969, US astronaut Neil Armstrong, commander of the spacecraft Apollo 11, became the first man to set foot on the moon. As he took his momentous first step be said: "That's one small step for man, one giant leap for

But 25 years later, the dizzy excitement of space exploration fuelled by the race in space between the US and Russia has been replaced by the more mundane worries of an industry fighting like many others for continued public and government support to help fund its future development

Space has become a commercial enterprise, albeit e high-risk one, and many of its remarkable technological achievements are now taken for granted by e population more concerned about jobs and welfare than by new scientific discoveries and the prospect of human beings living and work-

ing in space one day.
"I find it rather sad to see around here a relatively small crowd of people. When I've been here in the past it was jam-packed," said a senior executive of the Anglo-French Matra Marconi Space group. He was speaking moments before the launch in July at Cape Kennedy in Florida of the US shuttle Columbia carrying an international space laboratory inside its cargo bay.

The launch was spectacular and successful. The shuttle was blasted into orbit in a great cloud of smoke for a 14day mission when its seven crew, including Japan's first woman astronaut, conducted life science and other scientific microgravity experiments inside the \$1bn laboratory.

But it made little impact in the news. In the US, the big stories were the trial of a famous American football star. floods in Georgia, unemploy-ment figures and the death of the North Korean leader. If the American newspapers relegated the mission to the inside pages of their newspapers, it was lucky to find even the

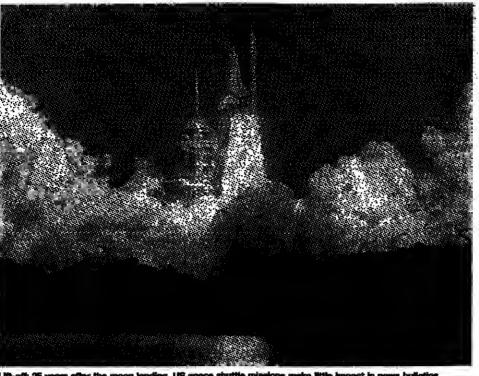
European press. Only the Japa-nese covered the story in full, reflecting the presence on board the shuttle of the first Japanese woman in space and the determination of Japan to huild up a strong presence in the space sector.

In Jepan, the government space budget is continuing to rise while it is declining elsewhere. The latest victim of budgetary reappraisals in Europe is the Hermes project to build a European manned space vehicle. In the US, the National Aeronautics and Space Administration (NASA) is having to fight for funds every year and many of its space projects, especially the \$30bn space station due to be completed by 2002 and involving broad international collaboration, are living on a budgetary knife-edge.

With the emphasis now being placed increasingly on the commercial opportunities offered by space, governments, space agencies and manufacturers of space equipment have been concentrating on the satellite business, in particular for earth observation, meteorology and communications. Governments have also continued to show growing interest in satellites for military applications. The role played by satellites in the Gulf war has further boosted this interest,

In turn, competition in the satellite and satellite launch husiness has intensified. The commercial battle has essentially pitted the US against Europe. In the commercial satellite launch business, Europe has managed to build a leading position during the past 14 years with Arianespace and its Ariane rockets.

The French-led Ariane programme has done for the European space industry what the Airbus consortium has achieved in the civil aircraft field: the establishment of a credible competitor to the US dominance of commercial aerospace markets that lasted until the early 1980s. But although Ariane has now taken a share



Lift-off: 25 years after the moon landing, US space shuttle missions make little impact in news bulleting

of more than 50 per cent of the commercial satellite launch market, it is facing tough competition not only from US launchers but also from Russia. China and Japan, all seeking to penetrate the western

With a finite market of around 20 commercial satellite launches e year, the battle for market share has provoked increasing international trade tensions mirroring those in the commercial aircraft market between the US and Europe. The US have accused the Europeans of subsidising its rocket launcher industry, while the Europeans have accused the Americans of cross-subsidising commercial launch operations with their large military satellite market, which to all intents remains closed to international competitors. And both the US and Europe have campaigned against price dumping for satellite launches by the Russians and the Chinese and sought to negotiate trade agreements with these coun-

Competition has been equally fierce in the satellite manufacturing side of the business. It has forced leading manufacturers to seek wider partnerships and has led to increasing consolidation in the industry. In Europe, two big transnational groups are being established to create the econopete in a tight market.

already merged its satellite activities with those of the UK General Electric Company into a joint venture called Matra-Marconi Space, which is 51 per cant held by the French concern. Matra-Marconi Space is how ecquiring the space systems division of British Aerospace in a deal which would create a European space group with annual sales of nore than \$1bn. At the same time, Deutsche Aerospace, the aerospace arm of the Daimler-Benz car group, is negotiating to merge its space operations with those of Aérospatiale, the French state-controlled aerospace company.

ut if the prospects for the satellite business remain secure, even though it is likely to face increasingly competitive pres-sures, the future of manned space flights continues to be clouded with uncertainty. NASA officials concede that the fate of the US space shuttle will hinge on whether the USled programme to build an International space station will survive or suffer from government budgetary cuts.

The \$30bn project is designed to create a permanent orbiting science institute in space capa-ble of performing long-term

sciences in e gravity-free environment NASA says that this The French Matra group has fundamental research will accelerate breakthroughs in technology and engineering that will have practical appli cations on earth. What governments must decide is whether you should continue supporting long-term fundamental scientific research and space exploration

or simply go for short-term commercial pay backs, said one senior US space industry The issue is now taking on once again, an international political dimension. But in contrast to the race between the US and Russia 25 years ago when the two superpowers were competing to outmanoeuvre each other to take the

leadership in space, they are now working increasingly together. NASA recently signed a \$400m contract with the Russian space agency to support a joint programme involving the US space shuttle and the Russian Mir space station. The contract also covers co-operation in the planned international space station. This collaboration, which both sides see as consolidating

the new post Cold War era, could prove to be the main driving force to keep alive the long-term ambitions of the international space industry.

Computers and teamwork cut development costs

### Paper aeroplanes are looking dated

It is no surprise that spending by aerospace companies on computer-aided design, manufacturing and engineering software is such an important part of their capital investment, as it addresses key issues for the industry's future - "time to market" and global competi-

The trend towards "paperless aircraft" and more efficient links with component suppliers is being driven by a need to reduce product development times through concurrent or simultaneous engineering. This requires a much greater ense of teamwork among different functions, and between suppliers and customers, supported by computers. Behind all this is the relentless drive to cut development costs.

According to Dataquest, the US-based market research concern, worldwide spending on Cad/Cam/Cae and GIS (Geo-grephicel Information Systems) software by the aerospace/missiles/and space vehicles sector was \$422.1m in 1992, accounting for 8.5 per cent of the total spent by

industry. The relevance of such software can be seen in pro-grammes et all the main airframe manufacturers, civil or military. At McDonnell Douglas, which is one of the larges users of EDS Unigraphics software, the most modern fighter aircraft in the world, the F/A 18-E/F, is being designed using all the collaborative elements offered by a process called Electronic Product Develop-

Unigraphics says that Northrop in California, GE Aircraft Engines in Cincinnati and McDonnell Douglas in St Louis are able to work as one team, sharing data, reviewing designs and programme plans on-line, while building a 3D model that can be verified and tested on screen, then manufactured in the knowledge that parts will fit.

Expensive physical mock-ups are therefore eliminated. Unigraphics says its target now is to allow airframe and engine

tal model of up to 10,000 com-

Where e "real" part is needed, the aerospace industry has taken quickly to the concept of "rapid prototyping". A process known as stereolithography is used to create a cale part, normally made out of plastic resin, from a three-dimension Cad file. This saves weeks or even months on the traditional pattern-making

At the other end of the line, with the customers in the airline industry, there are programmes such as Intergraph's Veramis (Vehicle Repair and Maintenance Information System), used by KLM and Virgin Atlantic Airways.
This enables complete air-

craft and aircraft sections to be visualised as intelligent three-dimensional computer ges, and is said to be up to five times faster than manual repair registration systems.

report about to be published by Dataquest\* lanalyses some of the trends influencing the purchase of Cad/Cam/Cae software, and the extent to which the eerospace industry has moved towards paperless design and production. Among

■ The need to interchange information with suppliers and subcontractors. The capital cost and scale of operation involved with the design and manufacture of a complete new aircraft is prohibitive, it says, resulting in relatively few large organisations supplying a few customers using a high percentage of subcontracted

"Changes to an aircraft design at any stage can ripple through the supply chain, causing many changes in the lower levels," says Dataquest. Minor changes at lower levels can cause major problems with vital that information flow, even if restricted, is accurate." ■ Methods for information interchange. Low-level subconblies to a rigid specification provide electronic information to their customers, usually or magnetic media. High-level companies require certification of design and sign-offs for designs. At present, these must usually be in paper format, forming legal documentation,

backed up with electronic data. The problems of security and the need for legal acceptance of designs are the key reasons for the continued use of paperbased information transfer Electronic interchange is typi cally used for prototypes, working designs and intermit tent information.

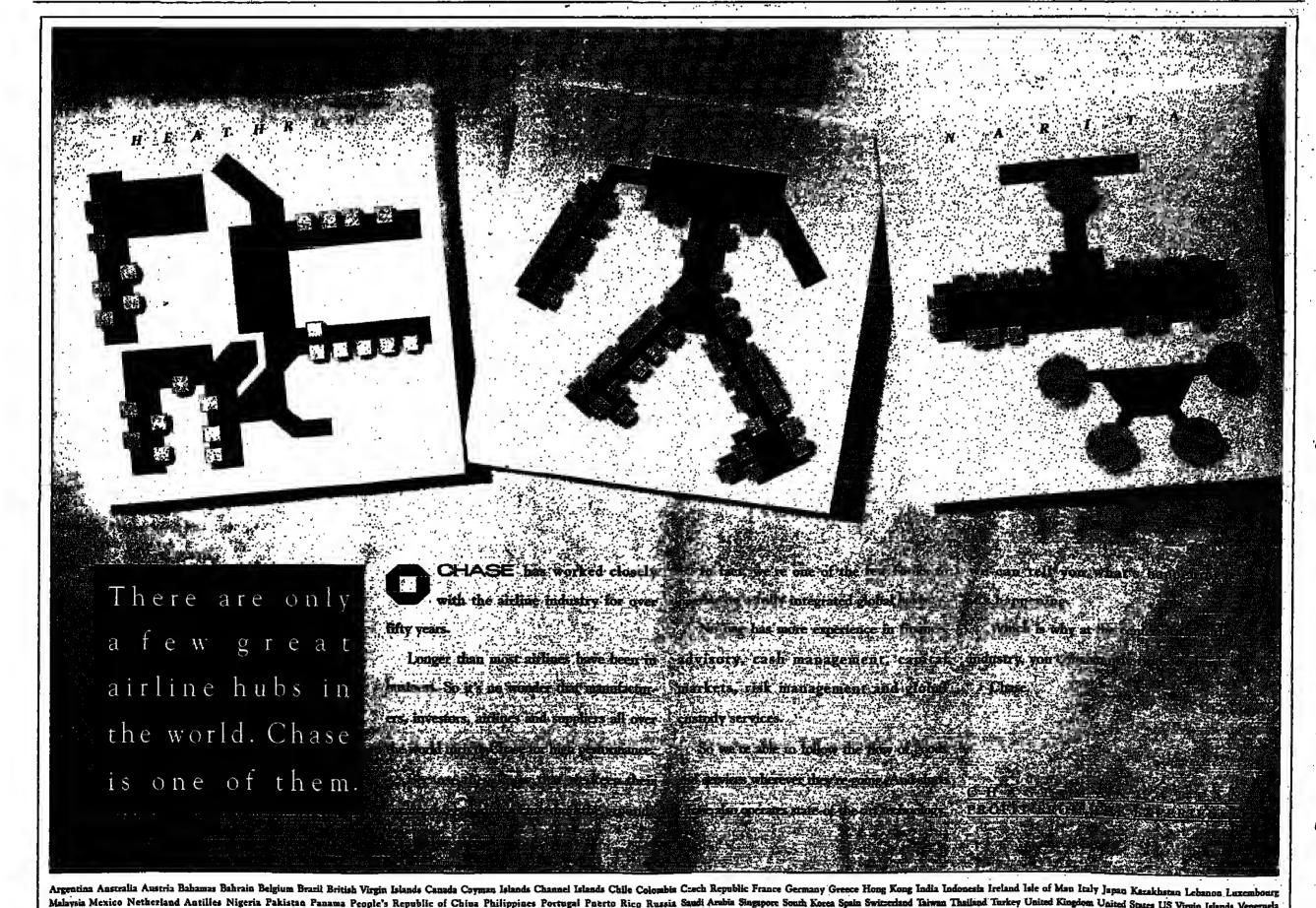
■ Importance of Cad for the design activity. The use of Cad/Cam/Cae tools is widespread, with high perce of products being developed using them. The ability to model assemblies, interactive parts, and to test parts functionally are invaluable. Many systems can provide the spe-cialist features and functions required by acrospace manu-

■ Decision process to purchase new systems. The nature of aerospace developments has forced the development of customised systems, which must support many projects that may all be at different stages of their life cycle, and may be undertaken on an international hasis. So in many aerospace companies, the purchase of design tools is part of a global IT-strategy.

Another significant factor, says Dataquest, is the increasing importance of international consortia and joint development agreements, such as Airbus. "These approaches force commonality in the purchase of compatible systems that ripple through the supply chain, influencing the effectiveness and requirements for integrated product development."

\* 1994 Focus Report. Discrete Manufacturing: Integrated : Product Development. Details from Dataquest, tel 0494 422722.

**Andrew Baxter** 



David Fishlock

the sky

lown-to-ea

#### **AEROSPACE 9**

High profile: the screen above the pilot's left hand displays information received via the satcoms link

Michael Dempsey looks at satellite navigation

### The sky's the limit

Transatlantic navigation has come a long way since Alcock and Brown crash-landed in an Irish bog after pioneering the route from Newfoundland to Europe in 1919. Passengers on a wide-bodied jet are confident ebout precisely where and when they will arrive. But the huge fuel costs involved in long-haul aviation make any saving on tima worthwhile. Airlines jostle for slots across the lucrative north Atlantic routes while pilots seek tailwinds that can chop precious minutes off the journey.

The objective is to boost profits by chipping away et fuel consumption figures. But the volume of traffic on this route means that aircraft must maintain a strict separation. Without radar coverage crews rely on time to keep flights well apart, Safety dictates a 10minute margin between aircraft. This prevents collisions but frustrates economy measures and extra flight slots.

Enter Automatic Dependent Surveillance (ADS). This project aims to provide an air traffic picture for the north Atlantic by mimicking radar data. Satellites are the key, taking signals from airliners and bouncing them back to a terrestrial control centre.

British Airways (BA) has been experimenting with satellite navigation since September 1992, using a Boeing 747 kitted out for ADS. This relies on Inmarsat navigation satellites to relay information to and from ground stations. Air traffic control (ATC) gets the exact position of the 747 within

Radio contact with ATC navigation systems. is 8 delay of up to 15 min utes before an aircraft is cleared to change its slot in pursult of a favourable tailwind or to exit turbulence. ADS cuts this to 30 seconds. Dramatic cost benefits have been claimed on Pacific routes.

where United and NorthWest Airlines use ADS: NorthWest reckons annual savings of \$500,000 for each of its 50 Boeing 747s are attainable. United has the nickname Stealth Airline because its crews make so

little use of radio signals. Inmarsat's Fintan Ryan is adamant the ADS price tag of \$150,000 per aircraft is soon recouped. "The savings are proven on the Pacific routa. ADS means the aircraft takes off and flies only the course that optimises costs," he says.

Over the north Atlantic ADS promises to halve the separation between flights, doubling the slots availabla. These developments offer improved exploitation of airspace. In the final approach, as the aircraft lines up to land, an international battle has broken out between satellite-based and terrestrial navigation aids.

Global positioning system (GPS) relies on a constellation of 24 satellites to measure the distance between the GPS receiver and the satellite. With three satellite signals it is possible to locate the position of the receiver anywhere on earth. GPS was originally developed for the US military and has spread rapidly throughout the civil sector. It offers a very cheap means of satellite navigation, with yachtsman's GPS sets now available for as little as £350.

The GPS lobby claim their system is the answer to air navigation over developing countries and remote regions. However, pilots with leading carriers are happy with existing gyroscopes and laser-based

ror land ng, civil aircrait switch to instrument Landing System (ILS) to co-ordinate their final approach to an air-port. ILS relies on radio signals to guide the aircraft in. But encroaching signals from FM commercial radio stetions

bered. The maker of GPS satellites and receivers. US avionics giant Rockwell, have spotted

an opportunity.
"You see these massive mar-kets in Russia and China opening up. They don't have a huge radar infrastructure. With GPS there is a tremendous advantage to be gained," says Ken Medlin, a Rockwell vice-president. Thare is also a lot of money on the table. The US Federal Aviation Anthority (FAA) has commissioned a \$500m project to convert ILS approaches to GPS.

Mr Medlin and his colleagues

argue that since GPS does not require a huge terrestrial infrastructure it is a cheap option. Unfortunately GPS is not yet suited to landing an aircraft in the worst weather conditions, known to pilots as Category 3. And Category 3 is a familiar etate to crews landing in Europe. The UK Civil Aviation Anthority has thrown its weight behind Microwava Landing Systems (MLS) to replace ILS by 1998. MLS uses proven microwave beam tech-nology to guide an aircraft down in fog. Despite the US FAA's endorsement, the CAA rejects GPS as "not yet fully proven" for precision guidance.

Suspicions about the reliability of GPS are compounded by the fact that GPS satellites are controlled by the Pentagon. By contrast, Inmarsat answers to a 74-nation consortium. An accord between the US military and the FAA over civil use of GPS has failed to quell European suspicions.

Even if the military agree not to scramble or hreak signals in time of conflic can operators be sure of future tariffs? Satellites have a finite life, and European airlines are convinced that the GPS community will seize on a chance to recoup the vast military

### David Fishlock discusses new materials

### Down-to-earth research

and Space Administration, interviewed last spring by the FT, atressed that aeronautics, and spin-off from space research for the civil aircraft industry, would be given greater emphasis in Nasa's \$14.5bn research and develop-

Aeronautics, although named first, has played the subsidiary role ever since cancellation of research funds for the titanium Supersonic Transport (SST) nearly quarter of a century ago. Now, Nasa has joint programmes with the US aircraft industry on both supersonic and advanced snbsonic airliners expected to enter service early in the next century. New materials are one

of the main R&D goals. Nasa's European counterpart, the European Space Agency, is no less concerned to bring more of its technology nearer the ground, its technology transfer initiative, run by Spacelink Europe, a consortium of technology brokers, has identified no fewer than 170 opportunities for transfer, among them advanced materials for heat resistance, lubrication, sensors and stiff light-

weight structures. Earlier this year, one of Europe's most spectacular packages of advanced materials, the Rolls-Royce Trent engioe for Airbus A330, was certified on schedule. The Trent is the most powerful engine Rolls-Royce has ever built. Its makers claim it is significantly lighter than competing US engines and runs at lower peak temperatures, while they remain confident it can be pushed to 100,000 lbs

thrust But Rolls-Royce has been at the forefront of those urging government to recognise the profound importance of advanced engineering materials to Britain as a manufacturing nation. The US subsidises serospace materials development through both Nasa and the Department of Defense.

Daniel Goldin, administrator of Germany, in July, announced a the US National Aeronautics new £500m subsidy for research to help its aerospace industry meet US and Japanese competition. The Japanese have long supported national programmes in such sectors as engineering ceramics, where many believe they

lead the world. For Britain, the real purpose of the now-defunct Hotol project was as a test-bed demoostrator for advanced materials development that would push engines way beyond the Trent. Not only have UK engineers lost this opportunity, but they face further cuts in materials R&D through the undertaking to axe defence R&D by another £50m-£60m a year. Moreover, two major UK sources of carbon fibre composites and other advanced aerospace materials, ICI and Courtaulds, have both

abandoned the field. A more positive step is the appointment of an internationally renowned meterials scientist as chief executive of the new Engineering and Physical Sciances Research Council. Richard Brook was Cookson Professor of materials science and bead of Oxford University's department of materials science. His speciality is engi-

neering ceramics. Recognition that better materials are the key to higher performance in every sector of engineering has slowly been gaining ground among decision-makers. A report from the the UK government'e Advisory Council on Science and Technology (Acost) in 1992, reviewing advanced engineering materials, concluded that with e few notable exceptions. the UK science and technology base in these materials is weak. The level of R&D is low, and the effort is spread too thinly." Among Acost's recommendations were that the government should consider launching "substantial demonstrator programmes" - particu-

larly in the aeroepace and automotive sectors. Prof Brook believes that, over the past two decades,

R&D has yielded "enormous advances" in the properties of engineering ceramics. If harnessed, such advances should translate into lighter engines that can be run at higher temperatures. So far, they have not, and Prof Brook identifies

1. Engineering ceramics are still too costly, and although it is believed that economies of scale would cut their costs the question remains: who is to pay for the build-up in scale? 2. The vigour with which established materials - such as snperalloys - react to any threat from competing materi-

3. "The residual distaste of engineers for brittle behaviour", plus the fact that the fracture toughness of ceramic materials can still be a problem for many potential users. As a result, "research progress has not always brought the rewards that were fore-

seen," says Prof Brook. another three factors that give him considerable encourage

1. An excellent base has now been established for systematic advance. He cites the way the Japanese are using this base as the launchpad for their synergy ceramics R&D programme, a 10-year commitment involving Y100bn.

2. He sees merit in focusing on applications, where ceramics "can deliver a function that simply cannot be provided by other materials," such as the newly-discovared "high-temperature" superconductors. where success would drag other applications along in its wake.

3. Those who have been least successful in their pursuit of advanced ceramic materials have been the loudest critics lately. "The fact remains that a modern industrial nation looking for technological advance will be better placed if it can operate with full competence over the entire portfolio

#### AIRPORT DEVELOPMENT

### Big spenders await the rush

With world sir passenger between Paddington station in traffic rising by 5 per cent a year, the current annual passenger total of 1.25bn is expected to double by the early years of the next century.

The air transport industry is gearing itself to meet this growth. Airlines are gradually restructuring to improve their operational and financial performance; manufacturers are building ever-larger aircraft; and airports are increasing their own capacity.

More than 200 substantial airport modernisation and way. They include new airports on land reclaimed from the sea, as at Kansai, in Osaka Bay, Japan, and at Chek Lap Kok, off Lantau Island, Hong Kong; the near-£1bn propose Terminal Five at London's Heathrow; and the compara-tively simple but nonetheless vital smaller restructurings, such as the £21m redevelop mant at Southampton East-

leigh, also in the UK. The International Civil Aviation Organisation, the aviation agency of the United Nations, suggests that the cost of all this work is likely to be \$240bo over the next 10 years.

But this covers only the direct airport development costs - work being done inside airport boundaries on terminals, runways and associated roads, and itams of internal equipment such as information systems, security systems, passenger amenities and fire and rescue equipment.

It does not include the massive associated infrastructure costs outside, which are just as necessary to enable airports to function smoothly. These include road and rail links with adjacent cities (for example, the £300m direct rail link

central London and Heathrow all elements of the air transairport), and the big invest-ments needed in air traffic conport system.

trol (ATC) facilities (such as the £350m new en route ATC centre being built at Fareham. Hampshire, by the Civil Aviation Authority for the UK meotal concerns. National Air Traffic Services). If these outlays are also included, overall airport and associated infrastructure costs

to at least \$400bn. Oris Dunham, director-general of Airports Council International, an independent nonprofit body representing more than 420 international airports in 139 countries, points out that keeping up the momen tum of airport development

Airport (code)

Miami Int I MIA

New York (JFK) Newark Int'l (EWR)

Hong Kong (HKG)

Osaka Int'l (OSA)

Chicago O'Hare Int'l (ORD) Dailas/Fort Worth Int'l (DFW)

Los Angeles Int'l (LAX) Atlanta Hartsfield (ATL)

London Heathgow (LHR)

Tokyo Haneda (HND) Denver Stapleton Ini'i (DEN) San Francisco Int'i (SFO)

Paris Charles de Gaulle (CDG) Paris Orly (ORY)

Detroit Metro Wayne Cnty (DTW)

Boston Logan Int'l (BOS) Phoenbx Sky Harbour Int'l (PHX) Minneapolis/St Paul Int'l (MSP)

He suggests that there are four principal challenges: finding physical space for the developments; finding the money; political considerations; and increasing environ-

breaking out of existing airport boundaries to undertake new terminal or runway developover the next decade could rise ment is difficult for many reasons, especially environmental constraints; and most airport authorities find they have to squeeze new terminals out of existing space, meeting the increased pressures by improved operational procedures. This is wby some

World's top 20 airports

Terminal

65,091,168 46,654,730 47,844,794 47,751,000

47,601,733

41,507,354 32,626,956

32,042,186 31,930,903

28.860,396

26,796,036 25,809,413

25,895,366 25,250,654

24,170,570

24,038,178 23,542,372

23,402,412

23,298,583

The first is already serious:

Passengers handled 1993

Number

5,899,466 2,105,427

11,945,032 2,416,582

259,170 4,608,777 25,290,239 12,373,223

14,821,136 3,412,036

23,336,134 10,075,158

2,025,043

107,576

5,225,518

Kong and Macao - have opted for the offshore airport approach, although such solutions are available in few

The financial problem is just as difficult. While some of the money can be derived from an airport's own activities - such as the expanding retailing ventures by the British Airports Authority - in many cases, it must come from either governments or the capital markets. An improvement in financial management and operational efficiency by airport authorities can do much to help secure outside investors' funds, without risking counter-productive increases in tariffs for airlines and passengers.

59,181,702 47,549,303

35,899,762 45,334,416

40,460,135 32,367,786

27,433,409 8,640,664

15,287,173

11,974,900 22,397,377

2,259,232 15,175,498

5.5

9.1 22,145,527

9.6 23,434,794

- 22,836,228 -2.9 18,073,064

pers are counted twice, on arrival and on departure from the airport

Source: Annual Airport Traffic Statistics, The Airports Council International (ACS), General

The political problems stem from governments' need to recognise that the air transport industry is a generator of economic growth, and not to be regarded as a cash-cow for national treasuries and subjected to penal taxation.

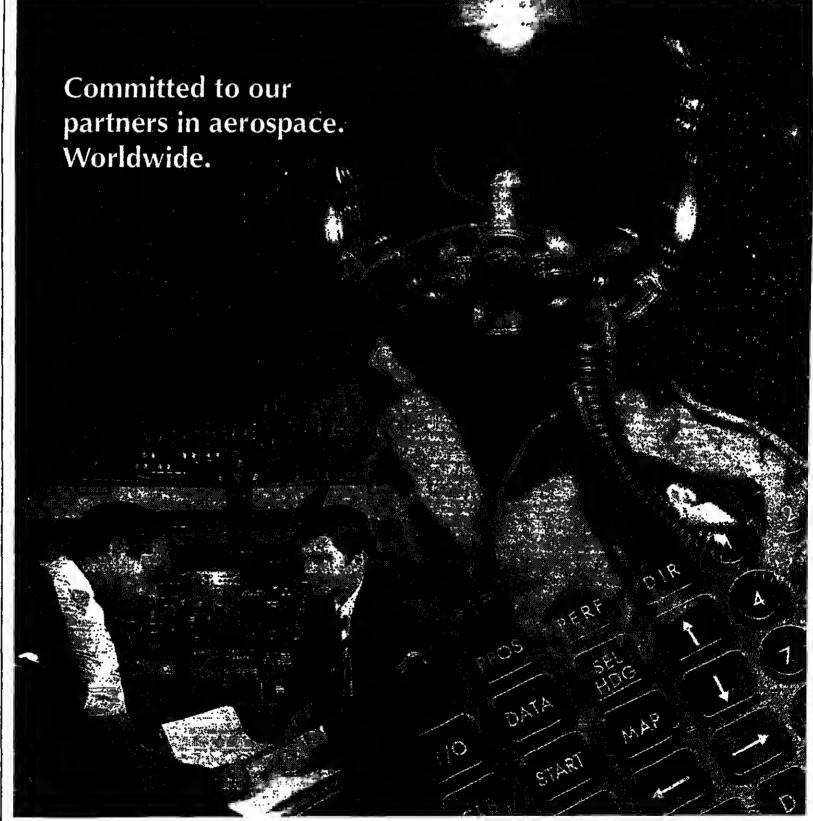
The international Air Transport Action Group, representing airlines, aircraft manufacturers, tourist bodies and other organisations iovolved in air transport, is already doing much to stimulate govern-ments to do more for aviation. It points out that every Im passeogers passing through an airport generate between 2,500 and 8,000 jobs, (depending upon airport size) and a financial benefit to the local and national economy of between

\$130m and \$1.6bn. In other words, growth in air transport drives economic progress, and in turn benefits from it. Taxing air transport (such as through passenger departure taxes) can only be acceptable to the industry if the money is fed back into the development of the air transport infrastructure, but not if it is used as just another means of raising revenues for non-aviation purposes.

The environmental challenge is likely to become even more severe. Much has already been done to reduce aircraft noise and emission levels, but it seems likely that more strin-geot regulations will be imposed in the next few years. It also seems certain that existing night-noise curfews will in most places become more restrictive, so that the burden of an increasing number of flights will have to be met by increased efficiency in handling during daylight.

This will in turn affect other elements of the overall system - with pressure for faster handling of passengers through airports, improved access to airports by road and rail, the use of larger aircraft, and tougher air traffic controls.

Michael Donne



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### Hopes for stability

At the end of July, McDonnell Douglas, the world's largest manufacturer of military sircraft, put its competitors on notice that it had no intention of leaving the commercial end withering share of a shrinking

announced that it would offer its customers e new 100-seat passenger jet known as the MD-95, taking the first step towards full-scale production of the short-haul jetliner. By diversifying its civilian product range, McDonnell Douglas hopes to begin reversing e decline that has seen its commercial production rate shrivel by 75 per cent in just three

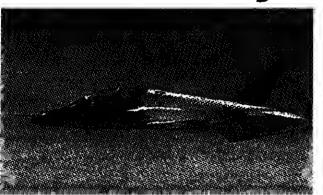
The decision to proceed with the MD-95 is a good illustration of how the US aerospace industry as a whole is struggling to cope with a severe cyclical downturn which began in 1990. Last year, the net rate of orders for all manufacturers defined as new orders minus cancellations - reached a 20year low, while the US industry's total workforce sank 32 per cent below its peak of 1.33m. reached in 1989.

In terms of orders, a tentative recovery appears to be under way. In terms of deliveries, the numbers are only now touching bottom. In 1995. production is expected to stabilise at this year's projected level of 465 aircraft - down from 844 three years ago, according to Moody's Investors

Boeing, which still commands a dominant 63 per cent of the commercial market, projects its 1993 deliveries at 260, well below its 1992 level of 442.

McDonnell Douglas, the US aerospace group hardest hit by the contraction, is well aware that it can no longer count on the Pentagon to help offset downcycles on the civilian

The easing of international tensions in the 1990s, coupled with stepped-up political pressure to cut the massive US budget deficit, have all but assured that the bounty reaped



own takeover.

By and large, defence con-tractors assured their contin-

ued profitability by reshuffling

the business portfolios. McDon-

nell Douglas, which has stayed

out of the fray, is an exception.

Still, its defence business

remains on solid footing. The

division, which makes the

F/A-18 and F-15 fighter jets, as

well as the controversial C-17

transport, recently posted

record operating earnings for

its position is decidedly

production plunging to 48 air-

craft last year, from 169 in

1991. Prudent cost-cutting has

enabled the business to remain

marginally profitable, however.

order from Saudia, the state-

run carrier of Saudia Arabia,

this spring was timely. Its fac-tories at Long Beach, Calif-

ornia, are steadily whittling

down the backlog of unfilled

orders for its larger three-en-

gine MO-11 jetliner and modern

versions of its venerable DC-9.

(The lion's share of the Saudi

order - 46 aircraft worth \$4bn.

The new MC-95 is a variant

which fits into a crucial mar-

ket niche. With US carriers

emulating the success of

Southwest Airlines and other

profitable operators, many of

them are likely to scrap their

hub-and-spoke flight networks

in favour of point-to-point fly-

went to Boeing.)

The announcement of a \$2bn

n the commercial side.

more precarlous, with

during the Reagan military build-up will never return. Indeed, the Clinton administration has accelerated the timetable for a downsizing process which began at the end of the cold war. It projects the Defense Department's outlays at \$233.7bn in fiscal 1997. nearly 21 per cent lower than the high-water mark reached in fiscal 1989. By contrast, the final Bush projection for fiscal 1997 was a relatively hefty

The response of the aerospace industry to this unprecedented challenge is well documented. A . wave of market-driven consolidation has swept over the industry since 1991, forcing companies either to seek a leading position in a particular segment through acquisitions, or to sell off their marginal operations to a competitor seeking to do the

Some companies, such as Lockheed and Martin Marietta, have become aggressive buyers, while General Dynamics, General Electric and others have sought to limit their exposures to shrinking military allocations.

The latest twist in the industry's reshaping came in April, when Northrop won a monthlong bidding war with Martin Marietta to acquire Grumann, a Long Island group specialising in defence electronics. The move, which carried a \$2.17bn last-ditch effort by Northrop to thwart the possibility of its aircraft, with 100 seats or less. The conundrum facing

ing. It is a strategy sure to accelerate orders of smaller

McDonnell, however, is that the market has been flooded with new aircraft over the past five years, et a time when world air capacity has expan-ded twice as fast as traffic. The result is a huge stockpile of used aircraft waiting to be put hack into service when demand picks up. To make expected to recover more slowly than in past cycles. forecast for the late 1990s

As a consequence, Moody's expects a 22 per cent increase from 1993 to 2002. Though that level of growth appears to be sufficient, an unprecedented number of aircraft programs will compete for a piece of the

most risky - of these programmes is Boeing's B-777, the largest twin-engine airplane body, which cost \$4.5bn to develop, is scheduled to begin commercial flights next May.

The question is, will every thing go as planned," says Mr Jack Modzelewski, an analyst with PaineWebber, the New York securities house. "If the planes don't ship, Boeing may have a few billion dollars worth of inventories stacking up very fast "

About 145 of the flying behemoths, at \$135m each, are already on the order books, but the Seattle aerospace glant needs twice as many to recorn its investment. To encourage demand, Boeing has requested US regulators to allow the aircraft, which initially will have a range of 4,600 miles, to fly over the oceans immediately, without the normal trial period over land. The waiver has raised heated opposition.

The world's biggest aero

space group can ill afford a setback. Net income in the second quarter was down 48 per cent from the 1993 period, and would have come in lower if not for an unexpected tax break. For the year, revenues about a third of the 1992 level. Mr Modzelewski, among others, doubts whether its annual orders will return to the 400the century.

Fare wars blight the scene for airlines in the US, says Richard Tomkins

# Unprecedented turmoil

More than 15 years have passed since deregulation opened the skies above the US to the unrestrained forces of enterprise and competition. By now, the airline industry should have settled down into some kind of equilibrium. Instead, it is in unprec turmoil.

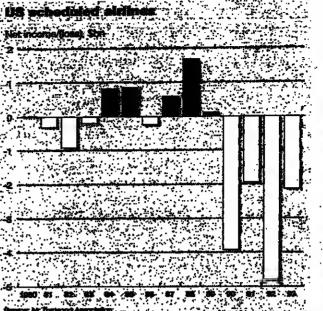
Barely a week passes with-out news of another fare war breaking out, an airline delivering a warning of imp ses, or thousands of jobs being cut. In the past four years, the US airline industry has lost nearly \$13bn - more than all the money it has ever made since the invention of powered flight.

So what has gone wrong? It is not as though the airlines are short of passengers: last ried by US airlines on domestic and international flights rose by 2.6 per cent to a record 487.2m. The trouble is, the hig airlines cannot charge a fare high enough to carry them at a profit - and that is because a new breed of low-cost airlines

Competition from upstart perators is nothing new to the US. When air deregulation neurs thought they saw an opportunity to make a profit by starting new services or undercutting fares on existing routes. But almost as many were wrong: as the big carriers fought back and the competition intensified, scores of airlines went bankrupt, most of them small.

The economic boom of the late 1980s brought respite for the industry, but it was not to last. With the onset of the Gulf War at the beginning of 1991. passenger demand sagged, and airlines were burdened with surplus capacity. This provided entrepreneurs with an opportunity to pick up assets and staff on the cheap and make another onslaught on the established carriers.

This time, however, the ared. For one thing, they had learned from the mistakes of their predecessors; for another, many were experienced airline employees pensioned off by the big carriers. Still more important, they had



a successful model from which to work - that of Southwest Airlines, the phenomenally

successful Terras-based carrier Today, Southwest is by far the most profitable airline in the US and the one that all carriers, big and small, seek to emulate. It succeeds because its costs are so much lower than those of the established airlines. The result is that it can charge permanently low fares on every flight and win more passengers - not just from other airlines, but by encouraging people to fly instead of driving, and by generating demand for travel that would not otherwise exist.

How does Southwest do it? Unlike the big airlines with hub-and-spoke operations, Southwest specialises in short-haul, point-topoint services with frequent flights and fast turnarounds that make intensive use of its staff and aircraft. Its hardworking and enthusiastic loyees are much more flexible than those working for the big carriers: flight attendants, for example, clean the passenger cabin while people disembark. And there are few frills: accommodation is all economy class, there are no pre-assigned seats, and the

in-flight meal is a soft drink

Translated into financial terms, the result is that Southwest, and sirlines like it. have operating costs of little more than 7 cents per available seat mile, while the big carriers have operating costs averaging rather more than 9 cents a seat mile - nearly 30 per cent higher. So when the big carriers have to lower carriers muscling in on their routes, they lose money.

Faced with the certainty that the small carriers are not going to go away, the big carriers have been left with no choice but to bring their own cost structures down. The effect has been a rash of radical restructurings.

Perhaps the most speciacular is the one now being implemented by United Airlines, the biggest US carrier. In July, its shareholders voted to accept a plan thrashed out by its management and workforce under which employees will be given a 55 per cent controlling stake in the airline in exchange for wage cuts and changes in working practices worth \$4.9bn to the company over the next 12 years.

United is not the only big US airline to have offered employees a stake in the company in

Northwest Airlines narrowly avoided bankruptcy in the middle of last year by persuading employees to yield \$886m worth of concessions over three years in return for 33 per cent of its equity (now 26 per cent following a stock offering in March). And last year Trans World Airlines emerged from bankruptcy after trading 45 per cent of its shares for \$660m worth of employee concessions over three years.

The advantage of employee buy-outs like these is that, in heavily unionised airlines, they produce labour savings without the strife that might accompany swingeing job cuts. The largely non-union Delta Air Lines, however, has adopted a different strategy: in April it announced that it was atting up to 15,000 jobs from its world-wide workforce of 73,000 as part of a plan to cut \$2bn a year from operating costs by mid-1997.

Soon after Delta's announcement. USAir announced that it was seeking to cut costs by \$1bn a year over the next three years, with half the costs coming from efficiency improvements and the other half coming ont of labour costs. USAir, however, is unionised, and it is still in talks with its unions about how the labour cost savings are to be achieved. Meanwhile, Continental Air-

lines, which last year emerged from its second bankruptcy with a largely non-union workforce, has reacted to the competition by setting up its own low-cost, low-fare operation - nicknamed CALite within the industry. United, with its new cost structure now in place, is planning to do the same with the launch of United Shuttle next month.

If one thing is certain about these changes, it is that they not over yet. Indeed, it seems probable that worse is to come. The big carriers cannot continue indefinitely to absorb the losses they are suffering in the fare wars afflicting the market. As the competitive pressures intensify, only those that succeed in adapting to the low-cost environment will sur-

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#### **AEROSPACE 11**

Japan: Michiyo Nakamoto explains the importance of the YSX project

# Taking the partnership route

Officials, researchers and financiers of the Japanese aerospace industry were today gathering for a meeting that has become an annual ceremony - to discuss whether the country should once again seek a place in the world com-mercial aircraft industry.

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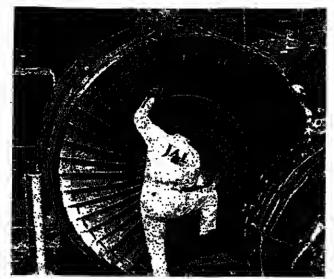
At issue will be a plan to build a small passenger aero-plane, the YSX, which the industry and its guardians at Miti - the ministry of international trade and industry have been nurturing for the past five years. Although still just a vision in the eyes of planners and manufacturers, tha YSX has already canght the Japanese public's imagina-

The interest abown in the aircraft is understandable, given the traditional Japanese fondness for national projects and symbols of industrial might. But the YSX is not just a symbol of Japan's resolve to establish its credibility within the industry. It is the third attempt by some of the country's most highly regarded manufacturers to build and market an aircraft on a commercial basis; and the stakes

are high. For the bureaucrats at Miti who are backing the project, it is not just a question of pride, although that, too, is important. Unlike some of the more shining examples of Japan's manufacturing prowess, the aerospace industry, despite good intentions and recognised skills, has been something of a blemish on tha country's industrial record.

The ministry, more famous for its successes in industrial planning than its failures, is axpected to increasa the amount of money available to the project next year to Y1.1bn, which will cover the costs of a feasibility study that has been carried out since 1989. The increase, from Y550m this year, at a tima when government coffers have been reduced by one of the longest recessions since the war, represents a strengthened commitment to a project that could lose millions and create another blemish on

For the five leading Japanese



nese companies did not have

any speciality, hnt after the

Boeing 767, Japanese compa-nies are probably good at body

Ha believes that the real

stumbling blocks to the growth

of Japan's aerospace industry have been a domestic market

that is too small to support a leading industry, and the ban

on Japanese exports of defence

bittar truth which the YS-11

tion in 1972 after 12 years,

because it was unprofitable -

taught both the industry and

Miti: the Japanese industry

lacks the marketing expertise and the credibility needed to

sell commercial aircraft glob-

Although the YS-11 was actu-

ally respected as an aircraft.

industry officials explain.

nobody was willing to take the

risk of bnying expensive

planes from Japanese manufac-

turers, which had no estab-

To avoid the same mistake,

the industry and Miti have

consented to have a western

partner on their next endea-

vour, the YSX. "We have to

team up with an established

partner, like Boeing or Airbus,

to sell the plane, because we don't have the marketing abil-

ity and need to provide after-

lished record.

fiasco - it went out of produc-

But additionally, there is the

work," claims Mr Hineno.

rospace manufacturers participating in tha YSX programma, the risks are also

"The initial development costs for commercial aircraft are extremely high, and it takes about 10 years to make profits, so we have to be cantious," emphasises Mr Yutaka Hineno, general manager of MHI's aerospace and special vehicle headquarters. "It is not

going to be easy." In the past, the industry has had bttle joy in its attempts to develop and market commercial aircraft. The only two designed and built in Japan – a 64-seat twin-propellar airliner called the YS-11 and a short take-off and landing plane called Asuka - have been embarrassing commercial fail-

Manufacturers, bowever, claim that it is not for lack of technical ability that the industry has lagged behind those in the US and Europe. Japanese technical capabilities have been tested through the substantial amount of subcontracting work they have done for Boeing and McDonnell Douglas, and on joint development projects with Boeing, such as the 777 and 767.

The latter, in particular, provided Japanese companies with experience in building the aircraft's body. "At first, JapaThe latest indications are

that the preferred partner is Boeing, with which the Japanese aerospace industry has a long relationship. But the question facing the industry then would be whether it could shed the junior-partner role it has always been relegated to in its dealings with the US company.

The inability of Japanese aerospace companies to win more than medium-technology work from Boeing - such as wing-flaps - has earned the industry a reputation as a permanent subcontractor to the US company. An attempt was mada to play a more prominent role in the development of Boeing's 777 jet by taking a 21 per cent stake in the project. However, even MHI, the leading Japanese company in the industry, admits that there is a long way to go before the industry can claim partnership with Boeing.

"We see it as joint development, but others say it is subcontracting," concedes Mr Hineno. "Japanese companies will only be able to increase their share of a project by improving their labour capabilities, facilities and technol-

For example, Boeing has always kept work on the main wings largely to Itself. Wing work needs large-scale manufacturing capacity, which does not exist in Japan, he explains. Even if the Japanese indus-try manages to take the lead in a commercial venture, it is likely to face fierce competition on tha global market, where there are several other projects to develop a small pas-

For the industry, and for Miti, there are few options. "The project is unlikely to go ahead if it appears that it won't be profitable," says an official at the ministry.

Yet the country's defence budget, where the industry derives 75 per cent of sales, is shrinking; and industry and government agree that aerospace manufacturing must be retained for the technological skills that it generates for a variety of industries.

When a Russian-built Tupolev aircraft, of China Northwest Airlines, crashed near the historic city of Xian in June, it was not only China's worst air disaster, it also coincided with festering donbts about Beijing's ability to manage its flourishing aviation sector.

An appalling safety record more than 500 people bave died in air crashes since 1992 - had turned the spotlight on lax safety standards, poor maintenance, sloppy cabin service and virtually non-existent airport security. In the past year or so, there have been no fewer than a dozen hijackings to Taiwan of Chinese airliners.

Since the appointment late last year of Mr Chen Guangyi as head of the Civil Aviation Administration of China (CAAC), the country's aviation regulatory arm, efforts have intensified to improve safety; but foreign airline representatives say that China has a long way to go before it can hope to match international standards.

China's aviation sector simply has grown too fast for available reaonrces: pilot training, for example, is lag-ging well behind demand. Among the most critical problems is a lack of experienced

China is moving to redress the problem, in co-operation with foreign airlines such as Lufthansa which has agreed to train Chinese pilots at its facility in Phoenix, Arizona; but demand is such that it will take years to provide an adequate supply of pilnts.

Growth figures for the aviation sector are staggering. Passenger numbers are rising at an average of 20 per cent annually, and this is expected to continue for the next few years; although a credit squeeze slowed the increase last year to 16.8 per cent from

CHINA

# Anxiety over safety record

33 per cent the year before. Projected Chinese purchases nf passenger aircraft should be enough to keep Airbus Industries and Boeing in business well into next century. In a study, for an Air Finance conference Chase Manhattan Bank predicts China's passenger fleet of 350 aircraft will increase fivefold by 2010. This would require the purchase of 1,200 new aircraft worth

Chase's prediction compares with less optimistic forecasts by, among others, Boeing which predicts purchases of 800 aircraft and expenditure of U\$40bn. Airbus expects China to purchase 620 new aircraft in the next 15 years.

Regardless of who is correct numbers of aircraft and amounts of money involved are colossal. Growth in the civil aviation fleet since China began opening to the world in the late 1970s has been spectacular. In 1974, China had inst 12 passenger aircraft. compared with the 350 today.

Boeing, followed by Airbus and McDonnell Douglas, have been the chief beneficiaries. Boeing delivered 46 airliners to China last year - 14 per cent of its production. This year, it expects to deliver 36, or 14 per cent of a lower production. Negotiations are also well advanced for the purchase of a further 50 Roeings. including the new 777 two-engined widebody, at a cost of about U\$5bn.

Airbns, too, is making a stronger showing in the China market. The European consortium secured orders last year worth U\$1.2bn. Three airlines China Eastern in Shanghai,
 China Northwest in Xian and China Northern in Shenyang are now operating Airbus. Other suppliers of aviation

equipment are also benefiting from China's aviation expansion. Rolls-Royce, for example, is supplying 42 of its RB211-535 engines for Boeing 757s on order by Chinese airlines and is expecting further orders.

While China is spending hillinns of dollars on the purchase of new top-of-the-range aircraft, it is far from maximising returns on investment. The Chase Manhattan study reported that China's average aircraft ntilisation rate was 5.2 hours a day in 1992, up from 4.7 the year before. This compares with 11 for Singa-pore Airlines.

Among factors curtailing ntilisation is the primitive state of Chinese infrastructure, including airports and air traffic control systems. Only 40 of China's airports have instrument-landing systems, which means that bad weather often canses delays, and thus disruption to the entire network.

A striking feature has been the proliferation of new

regional operators. China now has more than 30 airlines. This regionalisation of the aviation sector has placed a buge bur-den on CAAC's overstretched regulatory abilities. On the other hand, the growth of regional carriers has added a dynamic to the sector which would not have been possible if the CAAC monopoly had been maintained.

The regional airlines are also spreading their wings beyond China, opening routes to international destinations such as Singapore and Thailand. Several are seeking capital abroad, to fund ambitinus expansion plans. China Southern, based in Guang-zhou, and China Eastern are among 22 Chinese companies approved for listing on overas stock markets.

In its efforts to secure expertiae and capital, China recently announced it was opening its airline industry to foreign investment, though foreign involvement in a mainland airline would be restricted to 35 per cent with voting rights capped at 25 per cent.

Foreign investors were also being urged to invest in airport facilities such as terminals, ground-handling and aircraft maintenance. Indeed. foreign carriers are already becoming more involved.

British Alrways recently formed a joint engineering venture with China Southern; Lufthansa has a joint venture maintenance facility in Beijing with Air China; and Singapore Airlines has concluded a jointventure agreement with the Beijing Airport Anthority for Inflight kitchen services and ground handling facilities.

China's aviation sector is ln flux, and the learning curve is proving to be steep.

**Tony Walker** 

Russia: morale is low and the outlook bleak, writes Leyla Boulton

### The pains of privatisation

After a difficult year of adjustment to market economics, the future looks bleak for Russia's aerospace and airline

Despite having some of the best design capacity in the world, manufacturers are find-ing it difficult to raise the finance they need to produce and sell aircraft in world markets. The once-monolithic Russian airline industry, having split up into some 300 mini-carriers, has been hit by two serious accidents, which have dented already shaky international confidence in it.

After prolonged indecision over the future of Russian International Airlines - the international rump of the former monopoly, which continues to use the Aeroflot name the government decided in June to sell 49 per cent to the airline's employees.

in this first stage of privatisation, employees will he barred for an unspecified period from re-selling their stock, which they will be offered at a discount. The government does not plan to sell off any of its remaining 51 per cent stake for at least three

"In the next stage, I think conditions for foreign capital to invest will be created." Mr Igor Desyatnichenko, deputy director for finance, was quoted as saying in a recent interview. in the meantime. the government has promised to give the dividends of its 51 per cent stake to the airline, to help it acquire new aircraft.

But a question-mark remains over whether it will remain a single airline, following the decision to allow four of its subsidiaries the option of breaking away as separate companies. This decision coincided with a change of chairman at Russian International Airlines, with the replacement of Mr Vladimir Potapov, who had struggled to keep tha airline whole, by one of his deputies, Mr Vladimir Tikhonov.

The declared purpose of privatisation is to make the industry more efficient. But the collapse of tha Soviet Union, in December 1991, only complicated its adjustment to market reforms launched just over two years ago. Newly-independent republics, as well as restless regions and even cities, seized control of locallyhased fleets. But despite the lifting of controls on ticket prices, as part of the reforms, most of the so-called "hahy Aeroflots" lack the muscle and expertise to achieva international standards and re-equip

ageing fleets. In January, a Tupolev air-craft oparated by a tiny Siberian offshoot of the former Aeroflot crashed en route from the Siberian city of Irkutsk to Moscow, killing all 120 people on board. Morale and discipline have also suffered across the board. In March, 75 people died when an Airbus leased by Rus-

crashed on a flight from Moscow to Hong Kong. Unofficial reports released at the time suggested that the pilot had been teaching his children how to fly. But publication of the results of an official inquiry have been postponed several times, fuelling suspi-

cions of an attempted cover-up. A bright spot amid the chaos is the development of a few privately-funded airlines, such as Transaero, which offers western-style service at a small premium to that of its state-

owned rivals. Pending state-owned airlines' inevitable restructuring as bigger companies, the government this spring made a start with privatisation when it auctioned part of Vnukovo Airlines, based at Moscow's domestic

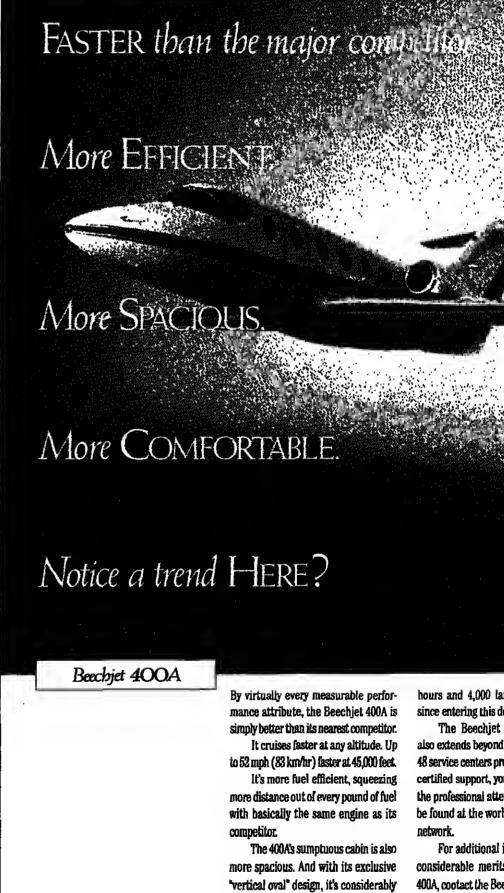
Vnnkovo airport. Until July 1, privatisation of state-owned assets had been conducted through the free distribution of vouchers to the population. However, future privatisation, including that of Russian International Airlines, will be for cash only, with 51 per cent of the proceeds due to be ploughed back into compa-

Lack of finance to re-equip fleets is the main problem facing Russian airlines, and is likely to remain so even after privatisation. It is also an obstacle for aircraft manufacturers, which were previously run and financed by the state. Even those airlines which sian International Airlines have some money are finding

it easier to lease or buy west ern aircraft, because of the favourable financing terms offered by western manufacturers. A cash-strapped government has yet to implement a long-promised industrial policy of selective support for its most promising industries, such as airframe manufactur-

ing.
in the meantime, two enginemanufacturers have teamed up with two leading Russian aircraft manufacturers in an attempt to mass-produce Russian aircraft with western engines and avionics. The most advanced project is an alliance between Russia's Ilyushin and Pratt & Whitney of the US. Their long-haul Il-96-M aircraft is currently undergoing tests for certification in Russia and the west. A similar aircraft, with Russian engines, the Il-96-300, is already being operated by Russian International Airlines on routes to the US.

A separate alliance, between Russia'a Tnpolav, and Rolls-Royce of the UK, wants to produce the medium-haul Tu-204 with western engines and avionics. But it is still said to be seeking finance for certification procedures. According to Mr John Sharman, executive director of Spectrum Capital, the UK venture capital company, the Russian authorities have approached the British government for help in raising \$20m for this purpose, on the grounds that this will halp Rolls-Royce to sell engines.



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K aerospace industry is pressing the government to adopt a new strategic initiative, to guarantee the future of the industry at a time when it is continuing to lose market share.

Although companies have continued to restructure and consolidate their operations through partnerships and alliances with international groups, they warn that the sec-tor's future will depend on a political consensus around a clearly stated public policy of

support for the industry.
In a written submission to the House of Commons trade and industry select committee. the Society of British Aerospace Companies (SBAC), the trade association grouping more than 200 UK aerospace companies, said that the government, in addition to providing a stable long-term investment climate, needed to develop with the industry "a national technological strategy to make greater progress in maximising the efficient use of investment resources from private and public sources."

The call for greater governtime when UK aerospace comnanies are continuing to face the effects of the prolonged business and the decline in government defence following

the end of the cold war. Until recently, the UK aeroapace industry was second only in size to that of the US among western economies. But after peaking in 1990, its turnover has declined from £11.7bn four years ago to around £10.4bn. The impact of lower defence hudgets has led to a marked change in the civil-military split, with civil activities now accounting for around 50 per cent of total annual turnover compared with only 25 per cent in 1980. Over the past 12 years, restructuring has led to a decline in employment, from nearly 230,000 people in 1980 to fewer than 150,000 last year.

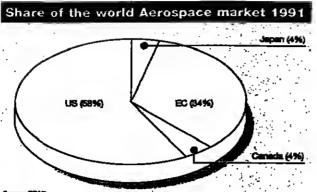
Other aerospace industries in Europe have fared better than the UK in terms of government support. By 1990, the annual turnover of the French industry had begun to match the UK, with France maintaining a stronger level of defence nding as well as adopting an active policy of backing what it considers a strategic industrial sector. The German industry has enjoyed even greater government support.

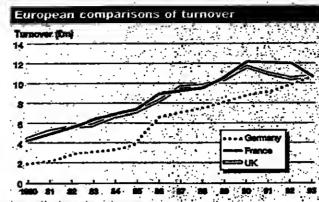
Fierce competitive pressures, coupled with the growing costs of research and product devel-opment, have forced the UK industry – which is still second to chemicals in the UK trade balance league, exporting about 70 per cent of its turnover - to step up efforts to rationalise by forging new international partnerships, as well as shedding certain assets

to focus on core activities British Aerospace (BAe) has pursued its vigorous rationalisation and recovery strategy of returning the company to its basic defence and civil aerospace businesses. On the civil side, BAe is continuing to seek international partnerships for both its turbopropeller and regional jet operations.

The UK's position as a global participant is at risk, says Paul Betts

### Industry seeks political help





After failing to form a joint regional jet venture with Taiwan last year, the UK group has pinned its hopes on form-Fokker, the Datch manufacturer now controlled by Deutsche Aerospace of Germany. in the turbopropeller sector, BAe has also had lengthy discussions with the Franco-Italian ATR consortium.

Rationalisation has also been intensified in BAe's space and missiles businesses. The UK company has agreed to sell its space systems division to Matra-Marconi, a joint venture between the French Matra company and the UK General Electric Company, BAe has also been negotiating with Matra to merge their respecment (000è)

France: Taiwan's order for 60 Mirage jets provides momentary relief

Hopes for a break in the clouds

European Aerospace employment

tive guided weapons activities. BAe's core defence serospace operations continue to be the company's main profit centre.

on the back of the group's lucrative relationship with Saudi Arabia and the strong

Hawk fighter-trainer aircraft. BAe also expects its 20 per cent stake in the European Airbus civil aircraft consortium to resp long-term dividends.

But for BAe much will hinge in the future on the controversial Eurofighter 2000 programme, as well as on the company's involvement in the Future Large Aircraft (FLA) project, a European collaborative venture to build a new military transport aircraft. The TIK has maintained its strong commitment to Eurofighter. although the programme for the new advanced fighter has been dogged by controversy in Germany

While there is broad consensus in the UK over Eurofighter, the FLA project has created deep divisions both within the government and the industry. The issue centres on whether Britain should buy the new US Lockheed Hercules C-130J or the European FLA to replace the Royal Air Force's ageing transport fleet.

The Lockheed camp has argued that its aircraft will be ready to meet the RAF's needs by 1996, while the FLA still faces uncertain development costs and will not be available until the next century. Lockheed has also said that UK participation in the programme will be worth £2.2bn and ecure 3,500 jobs in Britain. But BAe and its supporters

have warned that the stakes are high, and that the consequences would be dire if the UK did not participate in the European FLA project. BAe has warned that its lead in ving design and production in Europe might be lost to Germany and France if it did not narticinate in the FLA programme. There could also be erions implications over BAe's role in Airbus, since the FLA could be built by the European civil aircraft consortium extending its activities into the military sector.

In the UK aero-engine industry, the big challenge for dis-Royce is the develop of its high-thrust Trent family of engines to power the new generation of large widebody airliners, which are expected to account for an increasingly large share of the total aircraft market during the next 20 years. While the Trent programme has been a technical success, the problem for

Rolls-Royce is that it has had to continue investing heavily in the development of its new high-thrust engines at the same time as rationalising the company in the face of the industry's downturn and the increasingly tough competition from its two US rivals, General Electric and Pratt & Whitney.

Rationalisation has also been a main feature of the UK aerospace components sector. Lucas has been restructuring its US aerospace operations, while expanding through joint ventures in the fast growing Asia Pacific market. Ti has sorbed Dowty, which in turn has forged an Anglo French aircraft landing gear joint ven-

Overall, however, the UK serospece industry warns that rationalisation, greater international collaboration and significant productivity improve ments cannot alone guarantee the sector's long-term future.

Unless the government is prepared to match the support in R&D in new aerospace technologies and materials given by other countries to their industries, as well as more active export backing there is a growing danger that the UK may see its position as a leading global aerospace participant severely undermined.

As the SBAC put it to the House of Commons select committee: "Failure to sustain adequate R&D investment to counter international competition could mean an inevitable erosion of UK capability - and once lost, the industry's leading position could not be

he French aerospace dustry, which has been hit by falling orders during the past three years, hopes that by 1995-96 turnover will begin to improve.

Some comfort was provided by Talwan's 1992 order for 60 of Dassault'a Mirage jets and 1,500 of Matra's Mica missiles. But, in general terms, the Taiwan contract provided only aerospace orders booked last year amounting to only FFr90bn, 19 per cent down on the Taiwan-inflated figure of 1992 though only 4 per cent down on the 1991 level of new

Turnover fell last year by 8.5 per cent to FFr110bn, (\$21bn) with the brunt felt in the aero-engine sector (down 12.5 per cent) and by aircraft and issile makers (down 9.6 per cent), while avionics and equipment manufacturers escaped relatively lightly (down 4.2 per cent). Almost all companies are cutting back their work forces, or, as in the case of Airbus, putting them on short-time working. Serge Dassault, president of the group that bears his name and head of Gifas, the industry association, estimates French aerospace will have lost 15,000 jobs over 1992-95.

In profit until 1991, the French aerospace sector has, overall, been in the red since then. The biggest money losers are state-owned: Aérospatiale, which cut its 1993 loss to FFr1.42hn (from FFr2.38bn a year earlier) but has this year bad to get a FFr2bn capital injection from the government to help reduce its debt and fund promotion of its new

A340 series; Snecma, the aero-engine maker whose 1993 loss increased slightly compared with 1992 to FFr804m on sharply lower turnover; and Thomson-CSF, the defence electronics specialist. The latter, in fact, made an operating profit of around FFr1bn, which was wiped out by its unfortunate stake in Crédit Lyonnals that required it to assume iosses and bad debt

provisions of FFr3hm. All three companies are slated for privatisation, but the sale of Aérospatiale and Spectua is some time off. By nies, like Matra (part of the Lagardère group) and Dassault have fared better, partly because of Taiwan contracts.

Bernard Nicolas, Gifas' secretary-general, estimates that this year will see a similar 8.5 per cent decline in French aerospace turnover, but also a pick-up to export orders, especially for Airbus and perhaps through possible missile sales to Sweden and helicopter sales to the UK. But he feels the French government does not always act in the best interests of its defence industry. In par-

promise France gave China not to sell any more offensive weapons to Taiwan. While this may have opened the door to the Chinese market to French civil contractors, he says salesmen for companies involved in the Taiwan sale still cannot

get visas to visit China. The French aerospace industry, at least, benefits from the fact that France is virtually the only country in the west or east which, far from awarding itself a peace dividend on the end of the Cold War, has decided to maintain defence

government's military framework law for 1995-2000 sets a 0.5 per cent real increase in defence equipment spending for the first three years, and possibly more thereafter, depending on how the economy performs. And this starts from a 1994 base of FFr100.4bn, which is higher

than in the UK or Germany. But Mr Nicolas notes that the Balladur government has resorted to a habit of the previous socialist government by "freezing" FFr2.5bn of the 1994 equipment budget. The

Gifas director also complains that the civil aviation portion of the 1994 budget only includes money for "re-im-bursable advances" for existing programmes, not for new ones planned by Aérospatiale and Dassault. France, however, remains a firm believer in this "transparent" form of direct aerospace subsidy, and from the bogged-down talks with the US, it would like to see emerging an extension of the 1992 US-European Union agreement to cover not just airframes, hnt also aero

engines and equipment. Space accounts for about 15 per cent of French aerospace turnover, but its business fell last year by nearly 6 per cent. However, Matra-Marconi Space, the Angle-French joint venture, has just boosted its capability by buying British

Aerospace's space business. Despite recurrent rumours

of national mergers, of the kind thet produced BAe or Deutsche Acrospace (Dasa), French companies have instead sought to cope with their industry's present crisis by reaching out to foreign riners. Aérospatiale is negotiating with Dasa to create in missiles the sort of joint venture they already have in helicopters; Thomson-CSF has recently capped its large num-ber of joint ventures and acquisitions with the UK by amouncing two joint ventures with Dasa on "smart" munitions and missile propulsion and Matra is on the verge of completing its long negotiations for a joint venture with

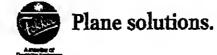
David Buchan

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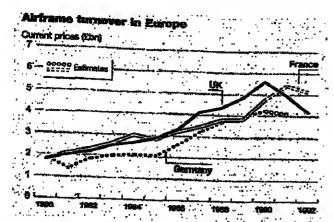
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#### **AEROSPACE 13**



For an industry undergoing its most severe crisis since the 1960s, the appointment of Jurgen Schrempp as the next chief executive of Daimler-Benz amounts to a considerable vote

He is the man who, as head of Deutsche Aerospace (Dasa), the dominant force in the German aerospace industry, has been responsible for the radical reorganisation of much of the sector into one of Daimler's most important subsidiaries And now, in the past 18 months, he has been the man forced to embark on sweeping and painful cuts in that same operation to cope with the downturn, drawing up plans to close six plants and lay off 16,000 workers.

The truth is that the success or failure of Mr Schrempp's overhaul is still in the balance. hut Daimler, Germany'a mightiest industrial empire, has clearly decided that the job has been well done.

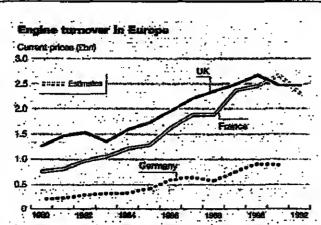
Dasa, which includes Deutsche Aerospace Airhus, the German part of the Airbus industrie consortium, and a half share in the Eurocopter consortium, as well as famous names such as Messerschmidt. Bolkow-Blohm (MBB), the country's main military sircraft contractor, a majority stake in Dornier, manufacturer of medium-range turboprop air-craft, Fokker, its Dutch counterpart, and Motoren und Turhinen Union (MTU), the aircraft engine manufacturer, will remain an essential part of the empire and its boss, Mr Schrempp, will succeed Edzard

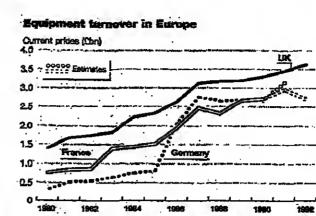
The decision of the Daimler Benz supervisory board in June coincided with the successful conclusion of Mr Schrempp's negotiations with the trade unions at Dasa to close six of its 16 plants, and cut 10,300 of the 16,000, jobs it needs to shed by 1996. The last year has been traumatic for Dasa, as it has been for the rest of the aerospace sector.

Overall employment in the sector stood at 78,500 on December 31, 1992, and fewer than 72,900 by the end of last year. At least 10 per cent more jobs will have been shed by the end of the present year, according to the calculations of the BDLL the German aerospace and defence industry federation. The sharpest cuts have been in the military sector down 13.8 per cent in 1993 and in the space sector, down 10.3 per cent in the year.

As for turnover in the industry, according to the BDLI figures, it was down even more sharply, by 18 per cent from DM26.77bn to DM21.95bn in 1992 alone.

The sector was hit, like the industry worldwide, hy the coincidence of a sharp recession in civil aviation and drastic cuts in defence spending, as governments sought to reap the dividends of the end of the cold war. It has galvanised a traditionally secretive and somewhat self-satisfied industry in Germany into urgent public lobbying to protect its position, on the grounds that the country could lose its access to a vast area of vital high technology if it allows the aerospace sector to be margin-

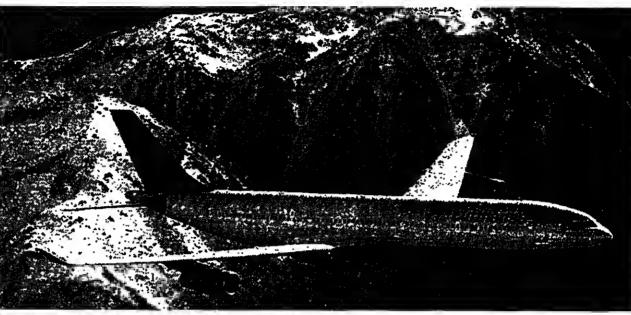




Taking with the latest and the control of the contr

Germany: Quentin Peel discusses positive moves to revive the industry

### Important vote of confidence



alised once again, as It was after the second world war. Mr Schrempp has been one of the most vigorous campaigners for more coherent and overt government support for the industry, alongside Wolfgang Piller, his fellow Dasa director and president of the BDLI. Above all, they have argued that European governments must be prepared to

back the industry with the same level of indirect support - through defence spending, and subsidies for research and development - as the US government does for its aerospace manufacturers.

The recent decision by the German government to back a DM1.2bn four-year research and development programme to be half financed by the

industry - was described by Mr Piller as a "first step" in the right direction. But he pointed out that in the US, the NASA hudget for aerospace research had increased from \$512m in 1991 to more than \$1bn in the current year, with a target of \$1.4bn by 1998. US Defence department spending on research and development

in aerospace are estimated by

the BDLI at around \$1.4-1.6bn per year. Hitherto, the comparable sums in Germany added up to just DM16m a year.

Speaking at the Wehrkunde security conference in Munich this year, Mr Schrempp issued an urgent plea for fairer and more open competition between Europe and the US in armaments and aerospace

Space turnover in Europe Current prices (Cbn)

préférence Européenne, which would eventually cut us off developments in top-notch technology outside Europe," he argued. "What we need is a level playing field with our US competitors."

This meant, he argued, overcoming the national fragmentation of the European markets in defence and civil aerospace manufacture. And his whole strategy at Dasa has clearly been focused on that aim.

In each sector, he has actively promoted cross-border co-operation. Not just in the Airbus consortium, hut also in Eurocopter, the Franco-German joint venture set to start deliveries of its seven-seater, twin-engined light helicopter, the EC135, in 1996. He has pushed through the takeover of Fokker, the proudly inde-pendent Dutch aircraft manufacturer, to rationalise production in the turboprop sector, and is now talking of possible collaboration in satellites and guided missiles, with France's Aérospatiale.

In spite of the painful and costly experience of the Eurofighter project - still on track in spite of the German government's prevarication - Mr Schrempp is a vigorous supporter of the plan for a joint European project for the next generation of military transport aircraft, the so-called Future Large Aircraft (FLA).

He has used the industrial muscle of Daimler-Benz to force the German aerospace industry to match its competitors in Britain and France. Thus within the Airbus consortium, he fought strenuously to raise the German profile, succeeding in winning the contract for final assembly of the most recent A321 Airbus model for his own Hamburg plant. Previously all Airbus aircraft were assembled at Toulouse.

The importance of the move for the German industry was underlined by the ceremony in January, when Lufthansa the national carrier, became the first airline to take delivery of an A321. German manufacturers have been firm backers of Lufthansa's privatisation, on the grounds that a strong and profitable national airline is a vital underpinning for a strong national aerospace industry.

However, Mr Schrempp's strategy at Dasa has also underlined his perception of the limitations of the European industry. He has pushed through the alliance between MTU and the US aero-engine giant Pratt and Whitney, in an effort to compete with the BMW-Rolls-Royce alliance. He was a prime mover behind the decision to open talks between Airbus and Boeing on joint development of the next generation of super jumbos. And he has also brought about an alliance in a key market, by setting up a joint venture in satellite and space systems manufacture with China.

So far, none of that frantic activity has shown up in the bottom line. Dasa suffered a record net loss of DM694m in 1993, more than double that of the previous year. It will still be in the red in the current year. But Mr Schrempp is adamant that it will be back in the black by 1995.

lines are hard in Italian aerospace. Employment figures at Alenia, the state-controlled business that dominates the national industry, illustrate the severity of the recession over the past

Reuter next year at its belm.

When Aeritalia, with its predominantly aero activities, merged with Selenia (mainly electronics and defence) to form Alenia at the end of 1990 the aggregate workforce was just over 30,000. Alenia now has 26,000 on its books, of whom 3,000 are currently drawing benefits from the cassa ntegrazione guadagni labour lay-off fund and will never return to the drawing offices and production lines.

"I hope that we have seen the end of traumatic changes and that the 23,000 effective workforce is the floor," says Fausto Cereti, Alenia's head. However, he recognises the generalised and continuing downward trend in jobs. Clearly, productivity is more likely to rise than fall. Competitors do not stand still, and the industry throughout the world

is reducing its workforce. "Wa are adapting our organisation and programmes to the enormous changes that the market is undergoing, both in terms of customers' spending levels and the entry of new suppliers," explains Mr Cereti.

He notes that Alenia has been suffering from a recession that has hit civil and defence activities simultaneously. "The crisis in civil aviation and the drop in aircraft orders has not been counter-balanced by an increase in defence budgets. People have wanted the peace dividend since the fall of the Berlin Wall," says Alenia'a head. He does not foresee increased defence spending. "Improvements on the defence side will come from reductions in production capacity.

Yet in February this year, Alenia's Finmeccanica parent, a sub-holding of the IRI state holding corporation, completed the acquisition of the defence interests belonging to the bankrupt EFIM state holding corporation. With Agusta heli-copters, Agusta Omi, Oto Melara Officine Galileo and Breda Meccanica Bresciana now inescapably part of Finmeccanica, scope for further rationalisation seem greater.

Italy: David Lane examines the consequences of recession

### Alenia slims its workforce

However, the outlook is not completely black. "The civil market is giving signs of upturn. The situation is far from brilliant, but it is better than two years ago," observes Mr Cereti He believes that Alenia should start to see a healthier flow of orders around the beginning of next year.

Much is still expected from its successful ATR joint venture with France's Aerospatiale. Firm orders for the ATR 42 and ATR 72 regional commuter aircraft stood at 422 at the end of last year, and further sales have since been achieved. The programme is going very well and is doing better than break even. The ATR 42 is being quietened by installing a six-bladed propeller, and we are considering completing the range with a cargo/military version and an 82-seater, says Mr Cereti.



Fausto Cersti: does not foresee increased defence spending

that ATR would welcome new "Italians would 10 than three. It is more conge- and that British Aerospace

nial," remarks Mr Cereti. He adds that ATR is sounding out rather dine in the company of other aerospace companies,

of an ideal partner,

Although Alenia puts the spotlight on the ATR programme, mundane husiness counts for more in money terms. The elderly G222 transporter and maintenance work provided 14 per cent of aerospace revenues last year, against the ATR's 7 per cent. Manufacture of aircraft components for Boeing, MDD and Airbus also contributed more to the accounts, with 9 per cent of total aerospace revenues. Co-operation with other mak-

ers is a characteristic of the Italian state concern, It is anomalous therefore that its role in Airhus is relatively small, recent and not risk-shar

This is unlikely to change soon. Airbus has difficulties in filling the capacity of its partners. But perhaps there will be space for Alenia in a

new Airbus programme, says Mr Cereti. Yet the ATR programme, the

G222 transporter, aircraft maintenance and the manufacture of components together only contribute the sama level of revenues as military aircraft alone. This sector is the big-gest contributor to Alenia's aerospace revenues, with 30 per cent of the total. The busident on the AMX light tactical fighter, the Tornado, the F104 upgrade and, most critical, the Eurofighter.

Alenia is pinning its hopes on EFA, as Mr Cereti makes clear. Ahout 15,000 workers will be employed on the programme when it is under way. He warns that EFA production must commence next year in order that design, development and manufacturing capability shall not be put at risk. Alenia has an urgent need for orders to absorb capacity.

"It is not possible to close facilities and then re-open them when EFA is ready. But is there willingness to pay the costs of maintaining idle plant?" asks Mr Cereti. Moreover, if or when EFA

does enter production, Italy's state aerospace business will be working to a much smaller order book than it expected when the project started. "EFA numbers will be fewer than were initially foreseen. Italy planned to take 180, and this was a minimum. There were expectations of further purchases. Now Italy says it will take 130, and this is the maximum," says Mr Cereti, anticipating further cuts.

What these critical times have done to Alenia's profit and loss account is unclear, its last accounts were for 1991. when it reported L56bn (£23m) post-tax profit on sales of L4,812hn. It has since been merged into its Finmeccanica parent, which has not disclosed figures for Alenia.

With the consolidated profit and loss account of stock market-quoted Finmeccanica crashing from L186bn on sales of L11,791hn in 1992 to just L33hn on sales of L10,772bn last year, its aerospace activities were probably heavily in deficit. Indeed, Mr Cereti acknowledges that conditions were much better three or four years ago.

Sweden: **Hugh Carnegy** on recovery from the Gripen crash

### Partners hope for exports

The frightening spectacle last August of Sweden's new JAS 39 Gripen fighter aircraft veering crazily out of control over thousands of apectators and crashing pilotless in Stock holm's inner suburbs could hardly have come at a worse time for its manufacturers.

The aeroplane that crashed was number 39.102, the first to be delivered to the Swedish Airforce after a full year's delay and heavy cost overruns in the development schedule of the fighter. With the vital first export order still unsecured, the crash appeared to be a disastrous setback for the four Swedish partners making the JAS - Saab-Scania, Volvo Flygmotor, Ericsson Radar Electronics and FFV Aerotech, part of the Celsius group.

A year later, however, the consortium believes it has largely put the effects of the crash behind it. The export breakthrough has still not occured, but the JAS makers insist its credentials as a high performance, but relatively low-cost all purpose fighter can capture a large chunk of the market for new combat aircraft

over the next six years. An official investigation into the JAS crash - during which the pilot ejected safely and, miraculously, no one on the ground was burt - concluded that it was caused by "insufficient margins in the flight control system software that led "a conflict betwaen the pilot's commands and flight control system signals. in

other words, the aircraft did not do what the pilot told it to

The consortium introduced a new edition of the flight control system software, and test flights were resumed last December. At the beginning of this year, a parliamentary commission set up to examine the JAS project gave it the green light to proceed.

Hans Ahlinder, general manager of Saab Military Aircraft, says those within the industry in Sweden and abroad accept that the problems have been ironed out, and that there should be no significant sales fall-out from the crash. "Everybody has some crashes during aircraft development. There is no bad will for the JAS 39," he

The crash did add some SKr100m to the cost of development. But this was not a large amount in the context of the SKr60.2bn (£5m) cost of developing and producing the first batch of 30 of the JAS, of which the consortium hore almost two thirds and the rest was borne by the state.

The Swedish Air Force ordered a further 110 aircraft in 1992, in a deal worth SKr18bn. The air force is being extensively restructured and slimmed to 16 squadrons, but all these are to be equipped with the JAS 39, giving the consortium the prospect of another 150 domestic orders. But for the consortium -

especially Saab-Scania, easily the biggest partner - the key

the JAS project lies in the export market. Here the ambitious target is to capture up to 500 overseas sales by the end of the century. Just how ambitious this is can be gauged from the consortium's own projections, which show original estimates of 3,000 worldwide combat aircraft replacements

Alenia's head executive says

low as 1,500. Mr Ablinder believes the 500 target remains realistic. He says the JAS 39 occupies a niche which will make it attractive to air forces looking for a combination of performance and economy.

by the year 2000 falling to as

The JAS 39 is designed to be fully qualified for attack, fighter and reconnaissance missions, and is intended to be cheap to run and service. It is priced below the other newgeneration fighters now under development - the Eurofighter 2000 (a joint German, British, Spanish and Italian project), the French Rafale and the American F22.

But, as Saah-Scania acknowledged in its latest annual report, it will also have to compete with upgraded versions of older aircraft such as the F16 and F18, the French Mirage 2000-5 and the Russian Mig29 and Su27.

To strengthen the vital export push, the consortium has been in talks with British Aerospace for two years, seeking a deal to use BAe's worldwide marketing and product support network to help sell

to a significant payback from the JAS. From BAe's point of Fokker, the Dutch aircraft view, the JAS would provide it with a new product to fill the gap before the Eurofighter is in production. A decision on whether to proceed will be taken hy the year's end, according to Mr Ahlinder. Meanwhile, similar talks with other manufacturers have also been held, he says. For Saab-Scania, these are

> also anxious times for its civilian aircraft division as it confronts a weak market. The company has carved out a significant share of the regional aircraft market, winning a near 40 per cent share of the world market for 20-39 seat airliners with its 35-seater Saab 340 aircraft. This year it has completed certification in the European Union and the US of its new 50-58 seater Saab 2000. and is due to make its first five deliveries of the new airplane to Switzerland's Crossair. But last year, deliveries of

> the 340 fell to 28 from 49 in 1992, and its share of worldwide deliveries in its segment fell from 49 to 36 per cent. This year deliveries of both the 340 and 2000 are not expected to exceed 20 - e long way below the target of a break-even level of 50 sales a year.

Saab-Scania, however, is committed to the long term in tha industry, believing that when the cycle turns, regional airliners will be one of the most expansive segments in the aircraft industry". It is convinced the 340 and 2000 are "in pace with the times".

### Breathing space for Fokker

manufacturer, recently secured some financial breathing space as it awaits the recovery on the international aviation market which it predicts will emerge in 1996.

In July, Deutsche Aerospace (DASA), the company's German controlling shareholder, agreed to inject some FI 600m (\$345m) into Fokker to shore up its balance sheet.

The Dutch government, which owns a minority stake in Fokker, did not participate directly in the refinancing, but it did approve a Fl 400m "saleand lease back" of the company's technology to Rabobank. the big Dutch co-operative bank.

In all, the Fl 1bn will boost shareholders' equity from just II per cent of Fokker's balance sheet to 27 per cent, enabling the company to cope with the malaise that coutinges to affect the industry.

Fokker believes that demand for new aircraft will pick up in 1996 and that total sales of aircraft in its segment of the market will reach 2,000 over the next 10 years.

Meanwhile, Fokker, like other international alreraft makers, has been hit by sluggish demand, fierce price competition and the need to shed employees and reduce output while the market's weakness continues

In 1993, these problems sent Fokker into a record net loss of Fl 460m from a slim profit of Fl 20m the year before, and

The company believes that demand will pick up in 1996 and that total sales in its segment of the market

THE NETHERLANDS

turnover dropped to Fl 3.7bn banks. from Fl 4.1bn. Much of the red ink was caused by a provision of Fl 275m taken to cover the

cost of selling aircraft at reduced prices to cut its stock. Since then, it has introduced a new policy of completing the sembly of only those aircraft that have been firmly ordered. The move is part of a wider project to enhance production efficiency and flexibility at the company's plant near Amsterdam Schiphol Airport.

Fokker also took a charge of Fl 90m to finance a further round of job cuts in the first half of 1994. The company's workforce

has fallen to below 10,000 from more than 13,000 at the beginning of the 1990s. The trend towards increased leasing, rather than outright

sales, of aircraft has also strained Fokker's halance This partly reflects the lack of down payments that used to accompany a firm order for

the purchase of an aircraft. To meet the challenge of leasing, Fokker hopes to set up a separate leasing company at arm's length from the company but with the participetion of DASA and a couple of

will reach 2,000 in the next 10 years The Dutch government, which is due to sell its remain-

ing Fokker shares in le three years' time, has already said that it will not be a shareholder of the leasing company. The July refinancing of Fokker, which must still be approved by DASA's parent, the Daimler-Benz group, is one of the most significant fruits

so far of the April 1993 deal which brought the Dutch company under German control. The deal, though controversial at the time in the Netherlands, was the result of the Datch government's repeated assertion that it could no longer afford to finance Fokker's future and that the company needed to

find itself a strong industrial

partner.

Since then, another important change at the company has been the arrival of a new chairman, Ben van Schaik, a former executive in Mercedes-Benz's commercial vehicles husiness, to replace Erik-Jan Nederkoorn, the original architect of the German takeover who later hecame embroiled iu a damaging hograroom row. At the same time, Fokker

pressed ahead with the formal

launch of its latest aircraft, the 79-seat Fokker 70, which joins its two existing the Fokker 100. Given the uncertalu

conditions prevailing on the aviation market, however, no decision has yet been taken on Fokker's long-standing wish to develop a 130-seater Fokker

The certification process for the new Fokker 70 is under

In July, the first series-produced aircraft had its maiden flight and then joined the test programme that had already begun with the prototype aircraft.

The first delivery of a Fokker 70 to launch customer. Sempati Air of Indonesia, is expected in early 1995. Other orders have also been received from airlines in the US and

The Fokker 70 is hased largely on the Fokker 100, and the two aircraft are being built on the same assembly line using tooling equipment and working areas that make such

mixed production possible. This configuration is designed to increase flexibility. Indeed, in the second half of next year Fokker's customers ordering either the Fokker 70 or Fokker 100 can decide which of the two aeroplanes thay want until 12 months before delivery.

Ronald van de Kroi

#### **AEROSPACE 14**

Asia Pacific is a bright spot for the industry, writes Kieran Cooke

he past few years have been tough ones for the aerospace industry. The commercial market has been bleak.' languishing, with airlines Countries in the region have realised that their increased forced to cut back on aircraft

deliveries due to lower-than-anpurchasing power has given them considerable influence ticipated passenger growth. The end of the cold war has led to wholesale cuts in defence over the world's aerospace companies. Many countries expenditure - and in the purhave ambitions to develop chase of military aircraft. their own aerospace industries. The bright spot among the gloom has been the Asia Purchases - whether of com-mercial or military aircraft -Pacific region. Aerospace execare linked increasingly to technology transfer and so-called utives realised long ago that the region was the area of "offset" arrangements, which growth: according to latest guarantee that purchasing forecasts by Boeing, Asian aircountries can participate in

of the century, Asia will surpass the US as the world's largest commercial jet market. At the same time, many countries in the region - par-ticularly in south-east Asia are strengthening their defence forces and making big expenditures on military aircraft.
This region is the salvation of US manufacturers such as Boe-"Once acquired, these techpore-based aerospace execu-

is not selling into this region, then its future has to be

A recent report by the US ried out for the Congressional committee on science, space and technology, found that, though countries in Asia are likely to be dependent on west-ern aeronautics technology for some years, the region is devel-oping a strong industry which could pose future problems for

Indonesia points the way

nologies can be honed and improved upon," says the report. "Consequently, what starts as a subcontract to profor instance, develops over time to fuselage, wing and avionics manufacturing. Indonesia's Pesawat Terbang

Nusantara (IPTN) is the only company in south-east Asia at present producing its own aircraft. It already manufactures the CN235 transport aircraft in co-operation with Casa of Spain. Later this year, the 70seat CN250 is due to be rolled out of IPTN's giant complex at Bandung, on Java. The CN250 will be the first commercial aircraft to be designed and built entirely in Indonesia. The Indonesian economy is rapidly expanding. The country, the world's third most pop-

ulous, stretching across an

area wider than the US coast

tite for aircraft. Mr Bacharuddin Habible.

Indonesia's minister of search and technology and the driving force behind the growth of IPTN, is known in the aerospace industry as "Mr Offset". Mr Habibie, who has many critics, both within and outside Indonesia, for the way he has poured millions into high-technology projects, has established a wide range of collaborative agreements with foreign companies, and is demanding increasing amounts of technology transfer. He is also determined to take on the

western companies. "I have tried to sell IPTN aircraft in the US," says Mr Habibie. "The US says it's an open market, but it has so many built-in regulations that I can never sell an aircraft there. This is why I have to set up a company in the US to produce, assemble and sell our aircraft

Both Malaysia and Thailand are rapidly upgrading their aerospace industries. Increasing amounts of commercial aircraft repair and maintenance can now be carried out in either Bangkok or Kuala Lampur. Again, both countries have insisted that, if they are going to buy commercial and military aircraft, aerospace companies must, in return, establish local training and manufacturing centres.

ecently McDonnell Douglas entered into a wide-ranging agreement to help Malaysia develop its aerospace industry. Last year, Malaysia placed orders for eight F/A-18D fighter jets from the US company, as part of its modernisation programme.

laborative manufacturing, maintenance and technology transfer agreements with the

Russians as a result of pur-chasing 18 MiC-29s. Dr Mahathir Mohamad, Malaysia's prime minister, has been stressing the need to develop an aerospace industry. Malaysia plans to manufacture initially two small two-seater aircraft and a 14-seater amphiblous aircraft. "These are undoubtedly small begin-nings," says Dr Mahathir, "but in a century's time we may have our Boeing and McDonnell Douglas counterpart... A beginning has to be made."

Singapore was the first country in south-east Asia to develop an aerospace industry. More than 50 companies are involved in what is now a highly sophisticated aerospace sector. According to the gov-

ernment's economic development board (EDB), the aerospace industry grew by 6.2 per cent last year with a total output of S\$1.25bn (\$800m).

The facilities provided at Changi - consistently rated as one of the world's most efficient airports - plus the avail-ability of a highly skilled workforce - have been essential elements in making Singapore into one of the key aircraft overhaul and maintenance centres in the Asia Pacific region. While Singapore does not

have ambitions to produce its own aircraft, it has achieved some notable manufacturing successes. For example, Airbus A320 cabin doors, A340 engine mounts and landing-gear doors for the new Boeing 777 are now nufactured on the island. However, Singapore faces

constraints on manpower and

space. Many airlines and aerospace companies locating regional operations in Indonesia, Malaysia or China, where wages are considerably lower. Moreover, competition does not come only from the region. European companies are very,

very hungry and are slashing

prices to rock-bottom," says an executive at one of Singapore's biggest aerospace comp "At the end of the day, it will be a case of who can give the best in price, turnaround time

and quality."
Singapore's industrial planners have a dual response to the challenges their aerospace industry faces. One way to combat the competition is to go into increasingly sophisti-Balladur picds on Renault 43 profits rise 12 cated high-tech areas of the industry. The other is to go regional - forming joint ventures with other countries and companies, particularly in labour-intensive areas.

Such ventures have already been formed in India. Late last year, Singapore Engineering, the wholly-owned subsidiary of Singapore Airlines; took a 10 per cent stake in a \$63m aircraft repair and maintenance facility in China. Not only does this give the Singapore com-pany the advantage of being able to recruit workers at less than two thirds the rates in the island republic; it will also give Singapore important access to the world's fastest growing aerospace market.

Kieran Cooke on the implications of Asia Pacific's surge in air travel

### A test for control systems

In June, Singapore Airlines (SIA) announced one of the world's biggest aircraft orders. The national carrier would buy 22 Boeing 747-400 Megatops and 30 Airbus A340-300E aircraft, with a total price-tag of

up to 3,000 aircraft, valued at

\$245bn, between now and 2010. It is expected that, by the end

SIA said the aircraft were needed because of expected ssenger growth of between 8 and 10 per cent a year in the coming decade. Mr Cheong Choong Kong, SIA's managing director, described the order as "an expression of our faith in the long-term health of the aviation industry and the promising future of SIA."

Airlines throughout the Asia Pacific region are expanding to meet surging passenger demand. The International Air Transport Association (Iata) predicts that passenger numbers in the region will double

between now and 2000. While passenger traffic is growing by 5 per cent a year in North America and under 4 per cent a year in Europe, in Asia the figure is closer to 9 per cent. Asian markets now of world air travel. By early next century that figure is likely to exceed 40 per cent. Several factors have caused

the upsurge. The main stimulus has been the economic growth of most countries in the area. China's economy has been expanding by more than 12 per cent a year. Singapore's grew by nearly 10 per cent last year. The economies of Malaysia and Thailand have expanded by more than 8 per cent in each of the last five years.

Economic growth means more business activity and more business travel. It also means rising income levels. with people having greater opportunity to travel. In China alone air traffic increased by 35 per cent in 1992, and by more than 20 per cent last year.

Another factor influencing traffic levels has been the lifting of various travel restrict tions in many countries. citizens of Taiwan, South Korea and perhaps most significantly China no longer face severe curtailments on movement outpeople travelling in the region face fewer immigration barriers. Intra-Asia tourism is now one of the region's key growth

Vietnam Airlines, the state carrier, reports that it carried 320,000 foreign passengers dur-ing the first six months of this year - more than the total car-

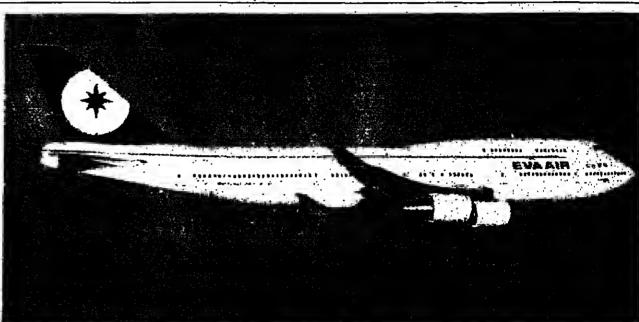
Most of the region's carriers have ambitious expansion programmes. However, they have not been immune to the problems that have faced airlines elsewhere. Hong Kong-based Cathay Pacific reported a 24 per cent drop in net earnings last year. Malaysia Airlines' pre-tax profits for the year to March 1994 fell by 90 per cent. Over the same period, pre-tax profits at Singapore Airlines, consistently one of the world's most profitable carriers, dipped

7.7 per cent to \$555m. The profits slump was blamed on a combination of recession in western markets, plus intense competition and adverse currency factors. Many passenger forecasts and consequent expansion plans of a few

years ago were too optimistic. Officials at Malaysia Airlines privately admit that a \$10.6bn aircraft purchase programme, which started in the early 1990s, has put severe financial strain on the company. Melaysia Airlines. Thai Airways. Philippine Airlines and Garuda, Indonesia's national carrier, have all had to defer or

cancel some aircraft deliveries. Asia's carriers have met increasing competition from outside the region. Faced with tough conditions at home, carriers from the US, and to a lesser extent from Europe, have turned to the incrative Asia market. Asia's big statecontrolled carriers have also been hurt by competition from the region's new airlines, such as Eva in Taiwan and Asiana in South Korea.

In partial response to the growth in competition, the region's larger carriers have improved levels of service and introduced frequent flyer pro-



Flying high: competition from Asia's new airlines, such as Eve Air, have hit state-controlled carriers

grammes. Passengers who have long complained that Asia has some of the most expensive air routes in the world are relieved to find carriers undercutting ticket costs.

Other problems haunt the Asia Pacific's carriers. Thomas S. Windomller, assistant director of the Air Transport Action Group, believes the region's

strine industry is in danger of "strangling on its own suc-cess". Mr Windonller says that forecasts for passenger growth in the region are based on the assumption that there will be sufficient airspace systems and airports capable of handling

the upsurge in traffic. However, there is an urgent need for Asia Pacific govern- main air-traffic hubs in the

ments to standardise aerospace regulations and co-ordinate traffic-control systems. Once in the air, the passenger may be able to sit back and enjoy the service for which Asia's airlines are known. But facilities in the air are not matched by infrastructure on the ground. lata says only two of the

region - Singapore and Taipei - are capable of coping with expected passenger growth. Many countries in the region are either expanding existing airport facilities or building entirely new ones. However, until these are opened there is likely to be more congestion and more frustration among

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